Trial by media

New technology of justice

Page 9

Sit down now!

How flight BD417 avoided disaster

Page 8

Nuclear proliferation

How to reduce demand for the bomb

Page 13

Sex, murder, mystics

Victorian blockbusters stage a comeback

Page 11

FINANCIAL TIMES

Europe's Business Newspaper MONDAY SEPTEMBER 12 1994

Balladur sets up review of probes into crime

Edouard Balladur, French prime minister, has started a review of the legal process for investigating white-collar crime after a series of probes involving leading industrialists. Interviewed on French television, Mr Balladur expressed concern that the latest probes had been "no good for democracy, for the economy or for the companies themselves".

Balladur said he wanted to ensure the legal system was operating efficiently. He has asked representatives of industry, the trade union movement and the judiciary to conduct the review.

Last week Jean-Louis Beffa, chairman of the Saint-Gobain glass group, was questioned over alleged illicit political funding and a Brussels court issued an warrant for the arrest of Didier Pineau-Valencienne, head of Schneider engineering group.

Single EU currency back on agenda: The end of recession in Europe has revived prospects of a unified European currency by the end of the decade, said European Union finance ministers, but only greater fiscal rigour will create the conditions for it, they warned. **Page 16; Two-tier Europe debate refuelled, Page 2**

White House rejects Congress role on Haiti: The Clinton administration is determined to resist growing demands that any invasion of Haiti be made contingent on the prior approval of Congress. Warren Christopher, secretary of state, said that Congress would certainly be "consulted" but it was vital that the president's "constitutional authority be preserved". **Page 5**

Setback for Japanese ruling coalition: Japan's ruling coalition of socialists and conservatives was humiliated in a by-election, the first measure of its popularity since it took power in a parliamentary coup 10 weeks ago. **Page 14**

Clinton likely to turn down Adams: The UK government is confident that Bill Clinton, US president, will refuse a request to meet Gerry Adams, Sinn Féin president, who is expected to visit the US later this month. **Page 6**

Assad speech lifts Israeli hopes: Israel welcomed a weekend statement by Syria's president Hafez al-Assad, saying it was aimed at preparing the Syrian public for peace. At the same time there was growing optimism in Israel of an imminent breakthrough in stalled peace negotiations. **Page 4**

UK building projects probe: The UK government will this week announce a wide-ranging inquiry into the procurement of construction work by government departments and agencies after a series of cost overruns and delays. **Page 6**

Trade ministers firm on ratifying Gatt: Trade ministers from the European Union, US, Japan and Canada expressed their determination to see the landmark Uruguay Round world trade pact ratified by the end of this year. **Page 5**

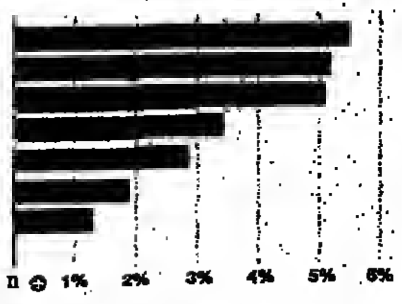
Italy in push for top Brussels posts: Silvio Berlusconi, Italy's prime minister, today launches Italy's attempt to increase its standing in Brussels during a meeting with Jacques Santer, incoming European Commission president. **Page 2**

Savoy may deny Forte full victory: The Savoy hotel group is expected to emerge from its board meeting tomorrow as an independent company. Plans to merge Savoy's hotels with Forte'a luxury establishments are likely to be delayed. **Page 15**

Cochabamba Light and Power Company, Bolivian electricity distributor, will become the first Latin American company for decades to trade its shares on the London stock exchange if plans to list the group go ahead. **Page 15**

European Monetary System: In a week which saw renewed discussion of the prospect of a multi-tiered Europe, the order of currencies in the EMS grid was unchanged. The spread between strongest and weakest currencies was similar, with the only discernible shift being a slight weakening of the Irish punt. **Currencies, Page 27**

EMS: Grid September 9, 1994



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

German regional polls: The Christian Democratic Union and their Social Democrat rivals won decisive victories in regional elections in Saxony and Brandenburg. **Page 14**

Turkish guerrilla head arrested: Dursun Karatas, head of the extreme leftist Turkish guerrilla group Dev Sol, has been arrested in France. Turkey is to seek his extradition.

Jessica Tandy dies: Actress Jessica Tandy has died, aged 85. The London-born actress electrified theatre audiences in 1947 as the original Blanche du Bois in A Streetcar Named Desire, but found her greatest fame at 80 with her Oscar-winning performance in Driving Miss Daisy.

Compaq chief's attack on Intel may herald commercial warfare in the PC industry

Computer giants face threat of rift

By Alan Cane in Barcelona

Relations between Compaq Computer and Intel Corporation, the two companies which have jointly dominated the world personal computer business, were strained to breaking point at the weekend after a bitter dispnte over commercial strategy hurst into the open.

Intel is the world's leading supplier of microprocessors, which are the heart of personal computer systems. Compaq is the leading manufacturer of personal computars, and as a result, is Intel's largest customer.

Mr Eckhard Pfeiffer, Compaq's chief executive, accused Intel of pursuing strategies which were damaging his company.

He accused Intel of launching an advertising campaign promoting Intel at the expense of Compaq; of not rewarding Compaq for being Intel's largest customer; and for making computers in direct competition with Compaq.

The dispute between the two companies, which have been close allies, has been simmering for months, industry experts say.

The clash could open a new front in the "microprocessor wars" which are expected to determine the direction of tha computer industry for the foreseeable future. The dispute is not simply over the future technology used by personal computers but also the conflicting marketing strategies employed by semiconductor makers and computer producers to establish a brand reputation for their machines.

The dispute burst into public in dramatic fashion at the annual Etre conference, a two-day gathering attended by senior executives of virtually every significant computer company.

Mr Pfeiffer, ohviously angry and upset, left no doubt that if Intel did not respond to his complaints, he would turn to other suppliers for Compaq microprocessors. Such a shift of allegiance would mark a sea change in the balance of power in the industry.

It was the synergy between the two companies which allowed them to take market share from IBM, the former market leader. Compaq earned revenues of $7.1bn in 1993, while Intel's revenue was $8.78bn that year.

Compaq has three chief complaints.

● The "Intel inside" advertising campaign was promoting the semiconductor company at the expense of Compaq's brand name, Mr Pfeiffer said. The campaign, which has been running for months and has cost Intel several millions of dollara, is designed to ensure that personal computer makers carry an "Intel inside" sticker on their products.

Mr Pfeiffer believes the Compaq brand name gives him a significant advantage in a market where competitive products are often similar in price and performance and that the Intel sticker devalues that advantage.

● Compaq believes it is not being rewarded by Intel for its position as the company's largest customer. Intel has been driving down the price of its flagship microprocessor, the Pentium, to defend and improve its market position. It already supplies the microprocessors found in 90 per cent of the 40m personal computers manufactured annually.

Compaq says it should be able to take advantage of its bulk buying power to secure discounts that would enable it to command higher growth profit margins.

● Compaq is angry that Intel coutinues to make its own personal computers in competition with Compaq.

The row has delighted Intel's competitors, including the US companies AMD and Cyrix who have been trying, without much success, to break Intel's stranglehold on the market.

Mr Hans Ceyer, Intel's general manager for Europe, replied that the company would not be deflected from its strategy set out by Mr Andrew Crove, the company's combative chief executive.

EU rebuffs US plan to lift ban on Bosnia arms

By Lionel Barber in Usedom, Germany

European Union foreign ministers have rejected lifting the arms embargo against the Bosnian Moslem-led government, calling it an "absolute last resort".

The stage is thus set for a rift with the US over the war in the former Yugoslav republic.

EU ministers, meeting at the weekend on the remote island of Usedom on Germany's Baltic coast, said lifting the embargo would probably lead to a withdrawal or dramatic scaling down of the UN's humanitarian and peacekeeping mission.

Mr Klaus Kinkel, German foreign minister, warned of "incalculable consequences" should US president Bill Clinton press ahead with his plan to start lifting sanctions if the Bosnian Serbs failed to agree to the US-EU peace settlement by October 15.

The fragile cessation of hostilities and the risks of a wider winter war in Bosnia were driven home early yesterday morning after Mr Hans Koschnik, the EU administrator in the ethnically divided town of Mostar, narrowly escaped assassination in a rocket-propelled grenade attack.

News of the assault shocked EU ministers, who called on President Franjo Tudjman to control renegade Croatian forces. Earlier they backed a strategy of "total isolation" of the Bosnian Serbs in the hope of forcing a peace settlement in the next few months.

At the same time, ministers edged toward approval for rewarding Serbia for its month-long blockade of the Bosnian Serbs, starting with a suspension of sport and cultural sanctions and a reopening of Belgrade airport to international flights.

However, Mr Kinkel emphasised that the reward was contingent on President Slobodan Milosevic's accepting a "credible international presence" to monitor the border with the Bosnian Serbs and ensuring that the border was sealed to prevent weapons smuggling.

Latest EU intelligence reports suggest that the threat of renewed fighting this winter is real. Officials at the foreign ministers' meeting spoke of deteriorating relations between Croats and Moslems, with the Bosnian Serbs preparing to strike against the Moslems if the arms embargo is lifted.

British officials this weekend made clear that the US would bear the brunt of recriminations which were bound to follow a withdrawal of the UN peacekeepers.

Alison Maitland in Londnn adds: Mr John Major, the British prime minister, will today be briefed on the situation in Bosnia by Mr Malcolm Rifkind, defence secretary, and Field Marshal Sir Peter Inge, chief of the defence staff.

Officials said no decision had been made on whether British troops should be withdrawn.

Britain has 3,300 troops in Bosnia.

Victory wave: Yuzuru Tsuzuki, a former labour ministry bureaucrat, savours success in defeating the government nominee in a by-election for the Aichi seat in Japan's upper house of parliament. The win should boost attempts by the 10 opposition parties to merge into one. Report, Page 14 Picture: Reuter

Big Mac guide to buying power

By Richard Donkin

The economic research department of one of the world's leading banks has settled on the McDonald's Big Mac hamburger as an international measure to quantify the purchasing power of wages.

Union Bank of Switzerland has included a Big Mac scale in its new edition of Prices and Earnings around the Globe, a survey of international prices and wages.

The UBS researchers say the best way to illustrate the purchasing power of wages is to set them in relation to the prices of individual products. The most suitable measures they have found are a 1kg loaf of bread and a Big Mac.

The UBS scale shows the worst place to be if you are penniless and in need of a hamburger is Lagos, the Nigerian capital. There it will take you more than 11 hours of toil, almost two full work days, to earn enough to buy one, compared with 14 minutes in Chicago at the other end of the scale.

International price comparisons and cost of living indicators

Continned on Page 14

Japanese banks move back into Europe's loan market

By John Gapper, Nicholas Denton and David Wighton

Japanese banks have started an aggressive push into the European syndicated loan market, helping to push down banks' margins on lending to large companies close to the levels of the late 1980s, according to bankers.

Smaller Japanese banks pulled back from lending at fine margins to European companies after the 1988 Basle accord, which required banks to hold more capital against loans. But they re-entered the market this summer.

"They are back in the market in a big way," said Mr Grant Johnson, a director at NatWest Markets.

The renewed push by Japanese banks has led to margins on syndicated loans – where several banks share a large loan to a company – has worried bankers because it has contribnted to margins' falling to half the level of a year ago.

Bankers say that loans to "investment grade" companies must have margins of at least 0.8 per cent above the cost of funds to cover fixed costs and make a return on capital. Such loans are now being made at margins of below 0.25 per cent.

Many European and US banks are competing to lend to high credit quality companies because loan demand from other sectors of the economy is weak. Japanese banks have recovered from the worst effects of the recession in Japan. The recovery in the Tokyo stock market compared with the lows of two years ago and the strength of the yen has helped to shore up banks' balance sheets.

Aggressive competition for business, in which the Japanese banks played a central role, led many banks to make loans at uneconomic margins in the late 1980s. One senior banker warned: "Wa are seeing a replay of what happened in the 1980s. Banks are starting to shoot themselves in the foot."

Although large Japanese banks such as Fuji and Sumitomo remained in the London market – the centre for European syndicated loans – many of the 130 smaller banks authorised to lend overseas withdrew at the turn of the decade.

But European bankers say they believe that smaller banks were given a signal by the Japanese Ministry of Finance after the financial year-end in April that they could resume lending abroad.

The treasurer of one company said it was hard a year ago to get banks to make five-year loans, but that had changed. "We had a Japanese bank in yesterday that said: 'We will do you seven or 10 years, whatever yon want,'" he said.

The finance director of another FT-SE 100 company said that companies could now persuade banks to agree to "very weak" financial ratios to which companies must adhere.

Hard news on the sports pages, Page 4

Trade ministers firm on ratifying Gatt, Page 5

Austria	Sch32	Greece	Dr350	Malta	Lm0.80	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lv60.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira70	S. Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Estonia	EKr 20	Jordan	JD1.50	Philippines	Peso50	Syria	S£60.00
Finland	FM14	Kuwait	Fils625	Poland	Zl 38,000	Tunisia	Din1.500
France	FFr9.50	Lebanon	US$1.50	Portugal (mainland)		Turkey	L30000
Germany	DM3.60	Lux	LFr65		Es225	UAE	Dh12.00

CONTENTS

Italy in push for top Brussels posts

By Andrew Hill in Milan and Robert Graham in Rome

Candidate: Professor Mario Monti, a distinguished economist

Also on list: Mr Reoato Ruggiero, a former trade minister

Mr Silvio Berluscoui, Italy's prime minister, will today launch Italy's attempt to increase its standing in Brussels during a meeting with Mr Jacques Santer, the incoming Commission president.

Mr Berlusconi will show Mr Santer a list of heavyweight non-partisan candidates for the two Italian seats on the new European Commission, which takes office in January.

But he will also try to convince Mr Santer to accept a delay in the formal nomination of commissioners, in the hope that Italy can win one of Brussels' top economic portfolios for its candidates.

The new Italian government is keen to boost Italy's stature in the European Union to the same level as Britain, Germany and France, following decades in which it has lacked real influence. The recent proposals by Germany's Christian Democratic Union for a hard core of EU countries, excluding Italy, have underlined the problem. Politicians aod ordinary Italians are angry that their country, a founder member of the Union, might be consigned to "league division two", as the Italian beadlines put it last week.

The list of potential Italian candidates for commissioner is headed by Professor Mario Monti, a distinguished economist and head of Milan's private Bocconi University, Mr Renato Ruggiero, a former trade minister, and Mr Enrico Vinci, secretary general of the European Parliament.

The list is deliberately non-partisan, ending fears that nominees might be drawn from the right-wing National Alliance. Alliance ministers have already faced protests from their European counterparts at EU meetings, because of the party's neo-fascist roots.

But Italy wants some guarantee that Prof Monti will receive an economics portfolio in Brussels. Such a guarantee is difficult to give because it will not be clear whether Denmark intends to renominate Mr Henning Christophersen, the existing economics commissioner, until after the forthcoming Danish elections.

Mr Ruggiero's availability is also unclear, because he is still in the running for head of the World Trade Organisation, the planned successor to the General Agreement on Tariffs and Trade.

Even if Mr Christophersen does not remain at his post, other EU countries may object to an Italian overseeing the convergence of EU economies in the period up to European monetary union. Some EU members are not convinced of Italy's commitment to meeting the deficit and debt targets laid out in the Maastricht treaty.

Prof Monti, a strong advocate of budget rigour, underlined his claim to the job with an article in Saturday's Corriere della Sera newspaper, in which he argued thet the Italian government could and should bring its budget deficit within the Maastricht limits.

In a speech on Saturday, Mr Berlusconi repeated his promise that a "rigorous and committed" 1995 budget would be agreed later this month.

David Gardner reports on the EU's great divide - interest rates, deficits and inflation

The two-tier Europe debate is refuelled

Different levels of budget deficit, variations in currency volatility, and member states' widely varying inflation records are the three main causes behind differences in general rises in long-term interest rates.

These are the main conclusions of a report to EU finance ministers on Saturday by the European Monetary Institute (EMI), the embryo of the European Central Bank foreseen by the Maastricht programms for economic and monetary union (Emn) by the end of the century.

According to Maastricht, Emn and a single currency will only coms about if member states meet treaty rules on convergence of inflation and interest rates, budget deficits and government debt.

Mr Alexandre Lamfalussy, EMI president, told finance ministers meeting at Lake Constance in southsrn Germany that the markets had established three clear tiers of countries in terms of the rise of long-term interest rates between January and August 29 this year.

The presentation, intended to underline the need to bear down on deficits and inflation, and to promote exchange rate stability and atructural economic reform, will inevitably fuel the current debate about the EU dividing into a "hard-core" of committed and able integrationists, surrounded by outer circles of second and even third division countries.

In Mr Lamfalussy's analysis, the recognised hard core – Germany, France and the Benelux countries – are all in tier one (where long-term rates have risen by less than 2 per cent) alongside the US and Japan. In tier two, where long-term rates have risen between 2 per cent and 3 per cent are the UK, Denmark and Ireland. Taking up the rearguard, with rate increases of more than 3 per cent, are Italy, Spain and Portugal. The three "correlations" establishing this order, Mr Lamfalussy suggested, were rates of inflation between 1984 and 1993; the highest public deficits in 1994; and market perception of currency stability.

Mr Henning Christophersen, the EU commissioner for economic affairs, said the "markets have a memory like elephants" about the policy mistakes of the 1980s. "We are all agreed that we would not repeat these mistakes in the light of the recovery" in economic growth, he said. The European Commission last week revised average EU growth predictions for this year from 1.6 per cent of gross domestic product to 2 per cent, forecasting 2.5 per cent growth next year.

Mr Christophersen emphasised that this depended partly on the strength of the dollar and on the need to prevent the fiscal relaxation and high wage settlements of the late 1980s. He and Mr Theo Waigel, the German finance minister who chaired the weekend meeting, also underlined the need to keep within a "virtuous circle" – with exports leading the recovery followed by revived investmsnt, and only then revived domestic demand. Some EU officials said that several member states, including the UK, were over-emphasising the "short-term" growth engine of domestic demands.

One senior EU official argued that the three countries in the EMI's second tier – the UK, Denmark and Ireland – were all plausible candidates to join the "hard-core" in entering Emu. But the British and Danes were paying an interest rate premium in terms of perceived currency stability, because of their opt-outs from Emu in the Maastricht treaty.

Ireland, another official said, suffered because of its high government debt, but mainly through "guilt by association" because of its close economic ties to the UK.

Mr Kenneth Clarke, UK chancellor of the exchequer, insisted that "opt-outs did not feature in Mr Lamfalussy's analysis", and that "our opt-out plays no part" in Britain's higher long-term interest rates.

'We are all agreed that we would not repeat these mistakes in the light of the recovery' in economic growth

EU ministers lined up behind Mr Jean-Claude Paye to stay on as secretary-general of the Organisation for Economic Co-operation and Development writes Lionel Barber.

But the US administration has already signalled that it does not want Mr Paye, a Frenchman, to serve another term. It is standing by Mr Donald Johnston, a former Canadian minister. EU support for Mr Pays is linked to a feeling that France has lost out in the recent nominations for top international jobs – a fact underlined by the impending departure after 10 years of Mr Jacques Delors as president of the European Commission.

Support for Mr Willy Claes, the Belgian foreign minister, as a candidate for the vacant post of secretary-general of the Nato alliance appeared to strengthen over the weekend. But Mr Hans Van den Broek, the EU commissioner for external political affairs, is keeping his hat in the ring. Mr Douglas Hurd, UK foreign secretary, was approached last month, but indicated that he wanted to remain in his present post.

EUROPEAN NEWS DIGEST

Fiat weighs up Mexico venture

Fiat of Italy is planning to begin car assembly in Mexico and is negotiating a joint venture with Dina, the leading Mexican truck and bus maker, with the aim of producing up to 100,000 cars a year. Mexico is attracting a growing number of the world's leading car makers in the wake of last year's North American Free Trade Agreement. The Mexican car industry is dominated by Volkswagen of Germany and Nissan of Japan along with the big three US producers, General Motors, Ford and Chrysler.

Fiat said it was planning to produce its Uno small car range for sale in the Mexican market and in some Central American and Caribbean markets. Fiat is already well established in South America, with car production in Brazil, Argentina and Venezuela. It had a 24 per cent share of the Brazilian market last year and 30 per cent in Argentina. Fiat said it planned to supply components, such as engines and gearboxes, for the Mexican operation from its existing facilities in South America. It insisted it had no plans to use a Mexican production base to re-enter the US market, from which it withdrew the Fiat brand in 1983. *Kevin Done, London*

Warning on Greek economy

Greece's socialist prime minister, Mr Andreas Papandreou, has warned that the country's economy is not expected to recover before 1996. He said his government would maintain tight austerity policies over the next 12 months. The opening of the Thessaloniki trade fair at the weekend, Mr Papandreou said inflation would be held at 11 per cent this year, close to the government's target of 10.5 per cent. "Next year's budget is being prepared in a spirit of austerity so that borrowing needs can be further reduced, but it will be a difficult year thet will decide the economy's future course," he said.

Public sector wage rises are to be held at 6 per cent next year, below the projected 8 per cent inflation rate. Growth in gross domestic product is forecast at 1.2 per cent, against 0.8 per cent this year. Mr Papandreou's remarks, coming a few days before Greece's economic convergence plan is submitted for approval by European Union finance ministers, appeared intended to reassure European Commission officials suspicious that Greece's commitment to reducing fiscal imbalances may start to weaken. *Kerin Hope, Athens*

Swiss plan for truckers

The Swiss government will today announce its plan for preventing discrimination against European Union truckers driving through the Alps. The idea is to set road usage tariffs so high that truckers put their vehicles on trains, and to set the train fares low enough that EU truckers will not be inclined to divert to already overcrowded Alpine road passes in Austria or France. According to a report in the Sonntags Zeitung, a Zurich newspaper, existing charges for all trucks transiting the Alps would be raised by about SFr400 (£200) per trip starting in 1998.

These measures became necessary after the Swiss decided in a referendum last February to ban international transit truck traffic from the Alps from 2002. The decision enraged governments and truckers in France, Germany, Italy and Austria because it applied only to through traffic. Truckers on internal journeys in Switzerland or on trips to or from Switzerland could continue to drive through the Alps. The European Commission said it would not negotiate with Switzerland on any transport issues, including landing rights for Swissair, until measures were introduced to prevent discrimination against EU truckers. *Ian Rodger, Zurich*

Asylum-seekers agree to go

An increasing number of people who have not been given asylum in Germany are reported to be leaving voluntarily so as not to forfeit future chances of becoming a German resident. Officials in the 16 German states said people refused asylum were leaving of their own accord instead of waiting for deportation. Until July last year the German constitution guaranteed an automatic right of asylum. But faced with an annual influx of 500,000 asylum-seekers, restrictions were introduced. Once deported, people are forbidden to re-enter Germany for at least 10 years and are not entitled to any social benefits. Others who leave freely can, in theory, return the next day and renew their application for asylum. In the first eight months of this year, 81,864 people applied for asylum, 68.4 per cent fewer than in the same period the year before. *Michael Lindemann, Bonn*

French agree China deals

France and China have signed a series of commercial contracts worth a total of FFr15.9bn (£1.94bn) during an official visit to Paris of Mr Jiang Zemin, the Chinese president. Mr Zemin's visit, which involved meetings with both Mr François Mitterrand, the socialist French president, and Mr Edouard Balladur, the centre-right prime minister, marked the culmination of a year of intense diplomatic effort by the French to bring about a rapprochement with China after Beijing protested at the French decision to sell jet fighters to Taiwan. Two of the largest contracts involve Elf Aquitaine, the recently privatised French oil group, which is the main investor in a FFr11bu refinery construction project in Shanghai and has concluded a crude oil trading agreement with Sinochem, the Chinese concern responsible for importing and exporting chemicals. *Alice Rawsthorn, Paris*

Germans await lottery news

About 40m lottery addicts in Germany – and thousands in neighbouring Austria, Switzerland and France – were anxiously waiting to find out today whether any of them had won the country's lottery, whose jackpot has risen to DM42m (£17.5m). The numbers ware drawn on television on Saturday night, but the country won't know until today whether one or more winners will claim the prize - or whether the jackpot will grow yet again. The jackpot has already risen to its highest level in the 40-year history of the lottery; it has kept rising for 11 weeks because no-one marked all the winning numbers on their cards. The "lotto" frenzy has reached such proportions that the finance ministry in Bonn had to issue a statement last week following a TV satire that suggested Mr Theo Waigel, the finance minister, was all set to bend the rules of the game and use the jackpot to plug gaping holes in the budget. *Michael Lindemann, Bonn*

Russians prepare for go-ahead on trade with Iraq

By John Thornhill in Moscow

A consortium of Russlan oil companies is developing plans to invest in Iraq in anticipation of the possible lifting of United Nations trade sanctions.

The Russian consortium, consisting of Lukoil, Mashinoimport, and Zarubezhneft, has been talking to Iraqi officials for several months about developing existing projects. Zaruhezhneft, which handled overseas oil projects in the Soviet era, has had previous experience of working in Iraq.

Mr Vagit Alekperov, Lukoil's president, has fleshed ont plans in recent meetings with senior officials from the Iraqi oil ministry. Lukoil, one of the nsw generation of privatised Russian oil companies, plans to exploit the western Kurna and northern Rumeila fields in northern Iraq. It is reportedly willing to negotiate initial investments of $800m (£516.1m) to $1bn but would need a total of $2.3bn for oil prospecting and equipment supplies.

Lukoil said it would be possible to finance most of the project through private investment although, like all other Russian energy companies, it has faced severe cash-flow problems because of the build-up of inter-enterprise debts. Lukoil has been trying to offset the problem by dsveloping its activities ontside Eussia to increase its hard-currency earnings.

Weekend reports from the Iraqi News Agency monitored in Nicosia said that Iraq and Russia had signed a $10bn trade agreement to take effect after the the lifting of the four-year-old oil and economic embargo.

The news agency said the agreement covered industry and oil projects, but did not elaborate.

Iraq has outstanding debts to Russia of more than $10bn. Moscow is continuing to press for a lifting of the international embargo on trade with Baghdad which was imposed after the Gulf war in 1991.

Other foreign oil companies, inclnding Elf Aquitaine and Total of France, have also been jostling to take advantage of any relaxation of ths trade embargo with Iraq, according to Russian officials.

Rnssian oil executivea believe there are lucrative contracts to be won in Iraq, which is the the third biggest oil producer in the Gulf after Saudi Arabia and Iran.

Slovenia poised to clinch debt deal with banks

By Gavin Grey in Ljubljana

Slovenia, the richest of the six former Yugoslav republics, is poised to reach an agreement with its commercial bank creditors on the share it will assume of former Yugoslavia's external deht. Three years after it declared independence, tbis is the last leg of Slovenia's struggle to disentangle itself from Yugoslavia.

Negotiators from Slovenia's Ministry of Finance and central bank in New York last week met a committee of creditor banks, cbaired hy Chemical Bank. A deal is sxpected to be agreed in the next two weeks and announced at the World Bank meeting in Madrid. It must be ratified by Slovenia's parliament and banks bolding the debt.

Slovenia is already receiving funding from the World Bank and tbe European Bank for Reconstruction and Development but many western commercial banks are still reluctant to lend until the issue is resolved. Yngoslavia's last debt rescheduling agreement, in 1988, left the now defunct state with about $7bn (£4.5bn) of debt. But a debt-for-equity swap programme in 1989 and 1990 reduced this to $4.2bn of commercial bank deht and $300m of trade paper.

Slovenia has already agreed to assume the part of the debt owed by Slovene banks and companies. The negotiations centre on about $1bn of non-identified debt – for which the borrower was the National Bank of Yngoslavia or another federal entity – and which cannot be traced to one of the six repuhlics.

Slovenia's negotiators want the banks to allocate the non-identified debt using the formula the World Bank employs when a country breaks up. Under this, Slovenia would assume just over 16 per cent of the non-identified debt. The creditor committee has heen pressing for a higher percentage, because Slovenia and Croatia are the only two former Yugoslav republics able to restart payments.

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Crimean president suspends parliament

By Matthew Kaminski in Kiev

Crimea's president, Mr Yuri Meshkov, yesterday added fuel to a raging internal political fight by suspending parliament and taking full control over the autonomous republic.

Mr Meshkov's step follows weeks of rising tensions on the separatist peninsula which came to a head last Wednesday when the local parliament voted to strip the president of his powers.

For now, the internal power struggle in Crimea does not threaten Ukrainian-Russian relations. It is primarily a domestic dispute over political style, policy and the pace of attempts to break with Kiev and reintegrate with Russia. But Crimea remains the sorest point in often tense relations between Kiev and Moscow.

Speaking on Radio Crimea Mr Meshkov called parliament "corrupt" and "unworthy" and asserted control over local councils and the media. As in Russia last autumn, police surrounded the parliament building, stopping MPs from entering. Mr Meshkov promised new elections by December and a referendum on a new constitution by April 9.

Ukrainian president Leonid Kuchma said yesterday the conflict "threatened security" in Ukraine. Mr Kuchma, who won massive support from Crimean voters in Ukrainian presidential elections in July, met Mr Meshkov on Saturday, and Mr Meshkov's aides claimed their president had Mr Kuchma's support.

An afternoon meeting between Mr Meshkov and parliamentary representatives was unproductive, according to the news agency Interfax. The city council of Sevastopol, has publicly come out in support of the ousted parliament.

Transferred from Russia to Ukraine in 1954, the predominantly Russian region expressed its dissatisfaction with the disastrous economic policies of the Ukrainian government by endorsing Mr Meshkov's pro-Russian platform in Crimean presidential elections last January.

Pope John Paul arriving at a mass attended by 500,000 people in the Croatian capital, Zagreb, yesterday. On his first visit to former Yugoslavia, the Pope urged Croatians to rise above feelings of revenge which are hindering a return to peace with the Serbs Reuter

Swedish PM hopes for swing to right

By Hugh Carnegy in Stockholm

SWEDISH ELECTIONS September 18

Mr Carl Bildt, Sweden's reformist prime minister, urgently needs voters to swing to the right if he is not to lose power to the tenacious Social Democratic party in next Sunday's general election.

The Social Democrats, under the leadership of former prime minister Ingvar Carlsson, are expected to perform strongly enough to form a government, probably seeking an unusual alliance with the Liberal party, a member of Mr Bildt's minority right-centre coalition, to reach a majority.

In the absence of any single party or Bildt-led majority government, such a coalition would almost certainly be welcomed by the financial markets as the best prospect for producing a credible fiscal policy to attack Sweden's big budget deficit and spiralling public debt. An opinion poll in yesterday's Svenska Dagbladet newspaper offered Mr Bildt some hope, showing his government gaining some ground over the past week. However, it still trailed the Social Democrats by 46.7 per cent to 41.1 per cent.

A good showing for the Social Democrats would represent a significant rebound from the slump to 37.7 per cent 1991. The strongest trend in recent polls has been to the left, with the former communists of the Left party and the Environment party gaining sharply following a Social Democratic commitment to cut some welfare spending.

But Mr Carlsson and Mr Göran Persson, the shadow finance minister, have made it clear they prefer co-operation on economic policy across the traditional political blocs – perhaps including the Centre party as well as the Liberals – rather than relying on their erstwhile allies on the left for a parliamentary majority. This, they believe, would convince the markets the deficit can be tackled and bring an early fall in interest rates which, at around 11 per cent on five-year government bonds, have already begun to erode recovery from a deep three-year recession.

Mr Bengt Westerberg, the leader of the Liberal party, has clearly signalled his willingness to work with the Social Democrats if the present coalition cannot form a new government and the Social Democrats accept his party's emphasis on creating favourable conditions for private sector companies.

Albania clings to some repressive levers of state

A series of recent political trials have questioned the country's commitment to human rights, writes James Whittington

Ten years ago, Mr Sokol Bregu, was sentenced by an Albanian court to 12 years in prison for spreading propaganda against the state. His crime was committed in an overheard conversation over coffee with friends when he suggested that, compared with other Western European countries, Germany had the strongest economic potential. Mr Bregu spent seven years of his sentence in the notorious Spaci jail where he was forced into hard labour in a chrome mine. He was frequently beaten, his family and friends were rarely allowed to visit and he was only released in 1991 following the liberalisation of the communist regime.

Compared with 45 years under Enver Hoxha's repressive Stalinist regime, Albanians are undoubtedly enjoying more freedom now than ever before. Since their election in March 1992, President Sali Berisha and his Democratic party-led coalition government have made much progress in starting to rebuild the economic and social structures of the country. Despite severe economic difficulties, the novelties of shopping in well-stocked stores, of taking home money earned through private enterprise, and of talking openly about the outside world, have still not worn off.

Over the past few weeks, Albania has been closely watching a controversial trial of five men from the country's ethnic Greek minority. They were sentenced last Wednesday to between six and eight years in prison on charges of espionage and illegal possession of arms. The men were leading members of Omonia, an Albanian political movement which campaigns for the rights of the country's ethnic minority. The case was widely seen as a warning to extremists in the minority to drop their demands for limited autonomy in the south.

It is just one of a series of political trials in Albania over the past few years and its outcome has not only severely damaged already strained relations with Greece, but also reopened the debate about Albania's commitment to human and civil rights.

The Omonia trial came under criticism for its proceedings and was described by many as a throwback to the communist era. It was conducted under an amended version of the old penal code drawn up by Hoxha's regime. An unofficial report written for the International Helsinki Federation of Human Rights said that "much of the evidence against the defendants seems circumstantial and vague".

Diplomats in Tirana say that the problem lies with the country's institutions which are remnants of the old regime and have yet to be modernised. Others say it is the continuing totalitarian attitude of the government, many of whose members were closely associated with the communists. "There is still a big gap between our (new) laws and the mentality of our institutions which is difficult to change," explains Mr Gramoz Pashko, an opposition MP who is probably the president's harshest critic. Dr Berisha, he says, "is not the most tolerant when it comes to political minorities." He cites the case of Mr Fatos Nano, the former prime minister and leader of the opposition Socialist party who is now serving nine years on charges of corruption, as an example. "I'm not convinced that Fatos was proved guilty, it was a form of vendetta," he says.

Other former senior politicians have been sent to jail for alleged crimes against the state. The president has defended these measures as necessary to prevent a wave of revenge attacks. But strikingly, Albanians are not interested in taking revenge on those responsible for the previous era. Other criticisms focus on the slow pace of constitutional and legal reform.

A new constitution and penal code will be essential in assessing the government's democratic and human rights credentials and also to Albania's application to join the Council of Europe. A decision on membership has been postponed until 1996 because so much of the country's legislative framework is still lacking.

Signs of progress on Golan Heights

Assad's speech lifts Israeli peace hopes

By Julian Ozanne in Jerusalem

Israel yesterday hailed a statement by Syrian President Hafez al-Assad, saying it was aimed at preparing the Syrian public for peace. At the same tima there was growing optimism in the Jewish state of an imminent breakthrough in stalled peace negotiations.

In a speech to the newly elected Syrian parliament on Saturday Mr Assad said peace with Israel was a strategic option and he was willing to work towards peace and "meet the objective requirements that are agreed npon".

Mr Itamar Rabinovich, chief Israeli negotiator with Syria, said: "It's first and foremost a speech preparing public opinion in Syria."

Mr Shimon Peres, Israeli foreign minister, said Mr Assad had "declared he has a strategy of peace... and there were more than hints that he understands that peace truly means peace, that is to say normalisation of relations".

Israeli officials say privately that significant progress has been made in US-brokered negotiations over the return of the occupied Golan Heights in return for full peace, and both governments have now entered a period of preparing their publics for a deal.

Mr Uri Savir, Foreign Ministry director-general, said yesterday that US secretary of state Warren Christopher would return to the region this month or next and that US officials were optimistic about a substantial breakthrough.

However, Israeli optimism has yet to be matched in public in Damascus, and Mr Assad reiterated Syria's unconditional demand for a full Israeli withdrawal from the Heights – a demand unacceptable, so far, to Israel and the traditional stumbling block in talks.

Last week Mr Yitzhak Rabin, Israeli prime minister, presented for the first time a plan for a partial withdrawal from the Golan, backed by US military assistance, followed by a three-year trial period marked by normalisation, including setting up embassies. Mr Rabin said that only after the normalisation period would Israel negotiate the line of its final withdrawal from the Heights.

The move was immediately rejected by Syria as unacceptable but Israeli officials say the Rabin plan was an opening gambit meant partly to test Israeli public opinion. They said that by comparing the deal to Israel's phased 26-month withdrawal from the Egyptian Sinai between 1980 and 1982 Mr Rabin was also hinting that a similar deal with Damascus would culminate in full withdrawal.

Mr Rabin's plan opened a fierce public debate in Israel between proponents and opponents on territorial withdrawal from the Golan. On Saturday thousands of Jewish settlers on the Golan held a mass rally to kick off a campaign of uncompromising but non-violent civil disobedience they say will be "the battle for the Golan".

In Mr Rabin'e governing Labour party eight parliamentarians have demanded that any territorial compromise secure a 70-vote majority in the 120-member parliament. The dovish wing of the party has called for a reform of Labour's platform by erasing clauses which support Israeli sovereignty of the Golan. Mr Rabin has met both initiatives with stern warnings against breaking party discipline.

Ultimately Mr Rabin hopes to deflate the public and party battle by not dismantling any Jewish settlements in the meantime and by putting any substantial withdrawal to a national referendum after elections in 1996.

A recent opinion poll conducted by Haifa University showed at least 64 per cent of Israelis support at least a partial withdrawal in exchange for full peace with Syria. The poll showed that 27 per cent supported full withdrawal and that many people had become more favourable to territorial compromise over the past year.

An Israeli girl holds a sign reading "The people with the Golan" during a rally by thousands of Golan Heights settlers on Saturday, at which they protested at what they saw as a secret government plan to return the Heights to Syria. AP

Telecoms fears rise as Indian official departs

By Stefan Wagstyl in New Delhi

Companies hoping to invest in India's telecommunications market have reacted with shock to the sudden transfer of Mr Nagarajan Vittal, the top civil servant in the Telecommunications Ministry and a strong advocate of economic liberalisation.

They fear his departure last week from the ministry could delay the implementation of a talacommunications policy announced in May, in which the government promised to end tha state's monopoly of basic telaphone services and invite private entarprise, including foreign companies, to invest up to Rs230bn (£4.75bn) in tha industry.

"Mr Vittal's departure is bad news," said a Delhi representative of a US telecommunications group with plane to invest in Indian telecommunications services. "He wanted to make things happen quickly. Implementing the new policy is bound to take longer now."

Mr Vittal, who was telecommunications secretary and chairman of the government's telecommunications commission, remains secretary in the Electronics Ministry, a post he held in tandem. He also remains India's candidate for an elected senior post at the International Telecommunications Union in Geneva. Elections for the job of the director of the bureau of telecommunications development will take place next month at an ITU meeting in Japan.

Government officiale suggested that Mr Vittal's transfer would give him more time to lobby for the ITU post. But few observers in Delhi believe this was the real reason for his job change.

Mr Vittal was brought into the Telecommunications Ministry late last year at the behest of Mr Narasimha Rao, the prime minister, to lead a radical overhaul of the industry. But he ran into tough opposition from Mr Sukh Ram, the telecommunications minister, who sided with the ministry's bureaucrats, its trade union leaders and others who wished to slow reform. The conflicts between these two abrasive characters frequently surfaced in the press – to Mr Narasimha Rao's anger.

Mr Vittal's departure could mean the new telecommunications policy will be less liberal in practice than in intent. Among issues still to be settled are tha maximum shareholding foreign companies will be permitted to hold in an Indian telecommunications carrier, the commercial relationship between the new private carriers and the state-run network, and regulatory matters.

The ministry also has still to solve a long-standing muddle over the award of licences for cellular telephone networks.

Cairo talks strengthen Egypt's women activists

By Shahira Idriss and Mark Nicholson in Cairo

As the International Conference on Population and Development haggles its way to a conclusion this week, at least one group of women is already expressing delight at having been "empowered" by the week-long gathering.

These are the hundreds of women who dominate membership of the 450 Egyptian non-governmental organisations attending the conference. After years of battling for their causes disparately and under the tight control of the Ministry of Social Affairs, traditionally suspicious of anything which could be construed as political organisations, they suddenly won the trust of the Egyptian government during preparations for the conference.

"It all started with Mr Maher Mahran [Egypt's population minister] recognising the importance of NGO participation in the conference," says Mrs Sarah Loza, co-ordinator of the Egyptian NGOs gender equity committee. "Since Egypt was hosting the conference, he knew it had to have a leading role."

Mr Mahran, she says, suggested Egypt's NGOs establish a 15-strong steering committee (of whom 11 are women) to co-ordinate their approach to the conference. In a country where the areas of political participation – particularly for women – are heavily circumscribed, the effect appears to have been galvanising. "Through the ICPD, the government of Egypt recognised tha NGOs for the first time as solid partners," says Mrs Loza. "It's a fantastic start. It's the first time Egyptian NGOs have come together to form a set of recommendations and have been given complete freedom to do so."

National Societies, as NGOs are dubbed in Egypt, have operated under strict controls since the 1960s, when the government of Gamal Abdul Nasser kept an iron hand on all social and political groups.

The Nasserite Law 32, passed in 1964, not only restricted creation of new organisations, but heavily constrained NGO activities by allowing the Ministry of Social Affairs to repeal internal decisions made by these organisations and giving the government powers to disband them at will.

But preparations for the population conference looks to have changed that.

The steering committee, for instance, has submitted recommendations to Mr Mahran for the revision of Law 32 and for a raft of changes to the legal status of women in Egypt, including easing restrictions on abortion and on the rights of Egyptian women married to foreigners to hand their nationality down to their children.

Many among the NGOs say their new status arises from realisation in the government that empowering such groups could help create a bulwark against the creeping influence in other areas of civil society of Islamic groups, particularly the Moslem Brotherhood.

World looks away as a sea vanishes

Steve LeVine on the environmental catastrophe of the shrinking Aral Sea

On most summer nights three decades ago, a barge would dock at a tiny Uzbekistan fishing village, called "Tiger's Tail" by the locals because of the way the spit of land arose in the southern Aral Sea. A makeshift screen would go up aboard the vessel, and bored fishermen would take a seat under the stars to watch a nightly offering of Soviet and foreign films.

Today, ships like the old film barge stand askew, rusting in a dry harbour. Mangled fishing nets lie half-buried in the sand while the fishermen weave carpets, make bricks and tend livestock. The reason is simple: the village, whose real name is Uchsay, is now 60 miles from Aral's former southern shore.

In a region of 3.7m people, Uchsay's 32 families are victims of an environmental disaster, one that scientists now believe may not begin to abate until the middle of the next century: the slow disappearance of tha world's fourth largest inland body of water.

The scale of the disaster has become so acute, and the local and international response to it so meagre, that once-hopeful western scientists are now looking merely to treat a resulting regional health crisis. Meanwhile, the soil in important surrounding farm regions of Uzbekistan, Kazakhstan and Turkmenistan has become so saline that the vital local cotton harvest – whose rapid increase was a main factor in causing the problem – has itself been shrinking.

"There's not enough water to stabilise the sea," says Professor Philip Micklin of Western Michigan University, the west's leading expert on the Aral. "Maybe some time 50 years from now there may be enough water to bring it back. But I don't see them making the economic changes necessary in the next several decades to rehabilitate the sea."

The Aral sea began shrinking in the early 1960s, when the Soviet Union irrigated a hugely expanded Uzbekistan's cotton crop by diverting the feeder Amu Darya and Syr Darya rivers from the Aral, whose length then measured about 220 miles.

Uzbekistan did become the world's third-largest cotton producer, growing 5m tonnes a year, but then local people began noticing the Aral'e shores receding.

Today it covers half its former area, and has divided into northern and southern seas. By the end of the decade, according to forecasts, the sea will shrink to one-third its historic size and split again, creating northern, eastern and western bodies.

"We still had the sea at the beginning of the 1970s – it was navy blue," says Ms Marinika Babanazarova, director of a cultural museum in the Uzbekistan regional capital of Nukus. "Then it began disappearing, very quickly. We lost it before our very eyes."

The health consequences have been severe. Doctors say lung disease and tuberculosis are rife.

"One hundred per cent of our pregnant women have anaemia, and most give birth prematurely," says Dr Andrew Vervlhost, director of the mother and child unit at the Karakulpak Institute of Clinical Medicine, in Nukus. Infant mortality in Uzbekistan's region of Karakulpakstan, bordering the Aral, has soared.

The scrawny cotton fields in the Uzbekistan village of Qaxiakiyakla illustrate the agricultural impact. "Twenty years ago, the cotton came up to here on me," says Mr Arzamurat Arzanov, placing a hand even with the centre of his shirt. Now the crop on Mr Arzanov's farm rises only to his shins.

Uzbekistan appears to have shifted more planting to other areas as Karakulpakstan's yield has plummeted, so its cotton harvest has been stable in recent years at about 4m tonnes.

But the Aral fishing industry – the former northern port of Aralskon on the Kazakhstan coastline once accounted for 10 per cent of the Soviet Union's entire catch – has been eviscerated.

International attention to the Aral began during the Gorbachev era, but little organised assistance has come. Central Asia's governments, meanwhile, have behaved as though they have written off the sea. In March 1993, all committed themselves to depositing 1 per cent of their state budget into the "Aralbank", a fund they created to resolve the disaster, but western and local officials say no money has yet gone into the account.

Environmentalists now are focusing on cleaning up the Amu Darya, which, though little of it now spills into the Aral Sea, still provides most regional drinking water. The idea is to stop current practices in which raw sewage is dumped into its waters, along with tonnes of pesticides.

Mr Khojamurat Khoshimov, whose father operated the former film barge up and down the Aral coast, stands on a bluff overlooking the old fishing village of Uchsay. He says most of his neighbours have moved away.

Though he does not expect the waters soon to return to Uchsay's shores, he will stay put. "No one wants to say his city is dying," he says.

So, with few alternatives, Mr Khoshimov has gone into his father's business, with one small adjustment – his mobile cinema plies local villages in a car.

INTERNATIONAL PRESS REVIEW

Hard news on the sports pages

JAPAN

By William Dawkins

Japanese weekend newspapers have an endearing fondness for parish-pump news, as if there were an unwritten rule against startling exhausted salaryman readers during days off.

As always on a Sunday, the *Japon Times* decorates its front page with a colour photograph of the flower of the week, yesterday a wild clematis. The *Daily Yomiuri* leads its columns with a mild crisis in the prison service, caused by a shortage of prison library books written in Farsi, for the growing number of Iranian inmates.

On the sports pages, the top story in both papers is the failure of the latest attempt to solve the US professional baseball strike. This is a remarkable story to Japanese readers, few of whom would ever dream of going on strike, let alone over a game where honour is at stake.

No labour troubles in Japanese baseball, where Ichiro Suzuki of the Orix Blue Wave made his 185th hit of the season on Saturday, well on the way to beating the 44-year Japanese record of 191 hits in a season, established by the late Fumio Fujimara of the Hanshin Tigers. What is more, Fujimara had the benefit of a 140-game season, 10 games more than allowed to Suzuki in today's Pacific League.

Inside, the Jepan Times' main editorial turns its back on international affairs, despite the fact that this has been an interesting week, with a nasty row between China and Taiwan over whether Taiwanesa President Lee Teng-hui should accept an invitation to the Asian games in Hiroshima early next month.

Instead, the Japan Times offers its collective wisdom on why the government should be nicer to the aged, no disrespect intended to the septuagenarian prime minister Tomiichi Murayama.

The paper's editor is moved by the latest annual age count from the Health and Welfare Ministry which shows that Japan has a record 5,593 centenarians, an increase of 791 on last year.

The grey wave is a big story in Japan. This is not just because the average lifespan is the longest in the world, at 76 years for men and 82 for women. Japan's elderly are also its biggest national headache. The proportion of pensioners is rising faster than anywhere else in the world, with horrendous consequences for the government's finances.

The Japan Times offers no solutions, but instead ticks off council workers in Saitama prefecture for disconnecting a 79-year-old lady's air-conditioning on the grounds that it was an expensive luxury for someone on welfare assistance.

Japan has had its hottest summer for decades and even now the temperatures are still in the 30s, so it was no surprise that the poor old woman ended up in hospital, suffering from dehydration.

The whole country will have a chance to draw the moral from this sad tale at leisure on Thursday, Respect for the Aged Day, one of Japan's 14 national holidays.

Not that the rest of world has completely passed the weekend press by. Simply that the international stories tend to be treated with less interest – with the perennial exception of news about the US, the focal centre of Japan's view of the outside world.

Nowhere in the press, for example, is it possible to find a word of advice on how Mr Murayama should wriggle out of the diplomatic embarrassment presented by Mr Lee's possible attendance at the Asian games.

Among the sports papers, *Chunichi Sport* drily points out that the matter is too political to be handled by the games organisers. *Daily Sport* reports without comment a government official's remark that China, with which Japan has diplomatic relations, is more important than Taiwan, with which it has no formal ties.

The *Nikkei Weekly* does offer the prime minister some advice, not on how to resolve the games dilemma but on how to minimise the damage. It counsels Mr Murayama to cancel a planned official visit to China next month and stay at home.

Another reason not go is that Mr Murayama risks offending the Taiwanese by being in Beijing on October 10, Taiwan's politically sensitive national day.

Why is it so hard for Japan to choose between China and Taiwan? It may be something to do with the growing number of Japanese businesses opening up in Taiwan, the latest reported last week being Fuji Bank.

Having to make hard choices also interferes with Tokyo'e policy of keeping as many friends as possible in Asia. No wonder the Japanese press prefers to stay on the sidelines of the diplomatic fracas over the Asian games. Choosing the flower of the week is far more civilised.

Trade ministers firm on ratifying Gatt

By Louise Kehoe in Los Angeles

Trade ministers from the European Union, US, Japan and Canada yesterday expressed their determination to see the landmark Uruguay Round word trade pact ratified by the end of this year at the conclusion of a "quadrilateral" meeting of the world's leading economic powers in Los Angeles.

The talks, covering a broad range of trade issues, come as implementation of last year's agreement signed by over 100 countries under the auspices of the General Agreement on Tariffs and Trade faces a difficult passage in the US Congress and a jurisdictional dispute in the EU. Meanwhile Japan, Canada and many other member countries appear to be taking a "you first" approach.

The Quad is "sending a strong signal to other members" that implementation of the Gatt agreement is moving ahead, said a trade official, although it is still uncertain whether the original January 1995 schedule can be met.

The talks, hosted by Mr Mickey Kantor, the US trade representative, were attended by Sir Leon Brittan, EU external trade commissioner, Mr Ryutaro Hashimoto, Japan's trade minister, and Mr Roy MacLaren, Canada's trade minister.

Overshadowing the Quad agenda, however, was an escalating trade battle between the US and Japan. The US has threatened to impose sanctions unless agreement is reached on disputes over insurance, automotive parts and government procurement of telecommunications and medical equipment by September 30.

With the deadline looming, Mr Kantor and Mr Yohei Kono, Japan's foreign minister, agreed to meet again around September 23 in a last-ditch effort to avert sanctions. Talks in Washington and Los Angeles over the past few days had been "constructive" Mr Kantor said. "We obviously will continue to talk". Mr Kono called the talks "substantial".

Officials close to the talks said it appears that some agreement may be close on the dispute over insurance, but that the two sides remain sharply divided over US insistence that some means of measuring progress toward opening Japan's markets be included in any agreement.

As the US and Japan continued bilateral talks, the "informal" Quad session got underway in Los Angeles on Saturday. While ratification of Gatt topped the agenda, the four ministers also discussed "unfinished business" remaining from the Uruguay Round. This includes reaching a multilateral agreement on financial services, civil aviation and other issues that proved too contentious to resolve during the 1993 talks.

Tha meeting also presented an opportunity for the US to save face after an embarrassing rebuff of new initiatives, known as "Open Market 2000", in Naples in July when the four trade powers last met in the Group of Seven leading industrialised nations' summit. In Los Angeles, the US took a more cautious approach, according to other participants.

White House rejects Congress role on Haiti

By Jurek Martin in Washington

The Clinton administration is determined to resist growing demands that any invasion of Haiti be made contingent on the prior approval of Congress.

Mr Warren Christopher, the secretary of state, said in an interview yesterday that Congress would certainly be "consulted" but that it was vital that the president'e "constitutional authority be preserved."

He noted that neither Presidents Reagan or Bush had sought congressional backing before ordering US troops into Grenada in 1983 and Panama in 1989, operations which he compared in scale with any intervention in Haiti.

Over the weekend, Mr Ross Perot, the 1992 independent presidential candidate, lent his voice to Republican criticisms that any invasion would be principally designed to boost President Bill Clinton's sagging domestic popularity before the mid-term congressional elections in November.

In a personal attack exceptional hy even his own standards, Mr Perot said that hacause Mr Clinton had avoided service in Vietnam he was ohliged to "go to those people in Congress who understand what war is about."

His speech in Denver, the first in a cross-country tour designed to influence congressional elections, was conspicuous for its attacks on Third World countries. He suggested that Haiti was a country whose people "like a dictator".

Mr Christopher dismissed these arguments as "pure baloney" and flatly rejected suggestions that any military action be delayed until after the November elections.

He was confident that, if and when any action was taken, the president would receive plenty of political and public support once the case for intervention had been laid out. Key reasons for action were the dangers posed by the Haitian military regime to hemispheric stability, the need to end human rights violations in Haiti and the credibility of the United Nations, which has directed that all reasonable steps be taken to restore democracy to the island.

Clinton's foes on scent of 'fast-track'

Nancy Dunne and Guy de Jonquières on threats to the power to negotiate trade pacts

Virulent partisanship in the US Congress, which nearly killed popular crime legislation last month and threatens proposed health insurance reform next month, could claim another victim: the fast-track negotiating authority President Bill Clinton needs to secure new trade pacts with Latin America and Asia.

With just four weeks left before Congress is due to recess for elections, time is running short for agreement on many disputes surrounding the legislation needed to implement the Uruguay Round world trade deal under the General Agreement on Tariffs and Trade.

Among the problems yet to be resolved is how to raise funds to compensate for reduced revenues due to tariff cuts agreed in the round.

Failure by Congress to approve legislation before it recesses would severely jeopardise Gatt members' pledge in April to ratify the round in time to put it into effect and establish the new World Trade Organisation at the start of next year.

Not only is it inconceivable that the timetable could be kept if foot-dragging by Congress prevented the US formalising its commitment to the round; delay in Washington could provida s pretext for other governments to defer parliamentary approval of the deal, raising the risk of indefinite slippage.

So far, fewer than 30 of the 125 participants in the round have ratified it. Outlook for action by the EU is clouded by a jurisdictional dispute between the European Commission and the Council of Ministers, while there are also uncertainties about the timetable in Japan.

In the face of the mounting obstacles in Congress, the Office of the US Trade Representative is understood to be weakening in its resolve to seek renewal of President Clinton's "fast-track" authority to negotiate further trade agreements.

A request for such authority, which requires Congress to vote on legislation without amendment, was included in the Uruguay Round package at a time when it seemed non-controversial.

Matters have been complicated by Senator Robert Dole, tha Republican minority leader, who has made frustration of the president'e legislative agenda his top priority. In a much puhlicised recent article in a newspaper in his home state of Kansas, he argued for a postponement of the Gatt legislation while questions of its costs and its effects on US laws were assessed.

Mr Dole's stance has been welcomed by the round's opponents on the left and right, who have argued for delay in the hope that with more time they can mobilise enough opposition to kill it.Adding to their glee, Mr Rush Limbaugh, the right-wing chat show, crusader has come out against the WTO.

The White House is said to be still reluctant to give up fighting for fast-track, which it deems vital for the president's credibility when he meets Asian leaders in Jakarta in November and Latin American leaders in Miami in December.

A decision could come soon, but observers of past decisions by President Clinton'e White House are expecting a cave-in.

The fast-track is in most trouble in the Senate, which failed to include the necessary authorisation in its own version of implementing legislation.

Trade officials then met Republican congressmen and got it included in tha House version, after they reluctantly agreed to drop labour and environmental issues as specific goals to be sought in future trade negotiations.

Staff members of the Senate finance committee and the House ways and means committee are now working to resolve differences in the two versions, so the legislation can be sent to the White House and returned to Capitol Hill in time for final votes this year

The administration is widely accused of fumbling passage of the Gatt legislation by not moving sooner to settle the tariff revenue problem, by incorrectly assessing congressional sentiment and by taking a strident position on the labour and environmental issues in the hope of satisfying the Democratic left.

A former senior Bush administration official said Republicans and business lobbyists were alarmed by the "boasts" of Mr Mickey Kantor, the US trade representative, that all future trade deals would seek to raise tha environmental and labour standards of foreign trading partners.

On the other hand, Senator Dole is displaying "the worst type of partisan manipulation of trade issues" which "will not serve him well," he said.

If, as expected, the Republicans gain seats in both houses in November, President Clinton could have even more difficulty pushing fast-track authority through Congress next year. That, in turn, would be a humiliating setback to US plans for hemispheric integration and trade initiatives in Asia.

Dole: frustrating legislation

CONTRACTS & TENDERS

LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

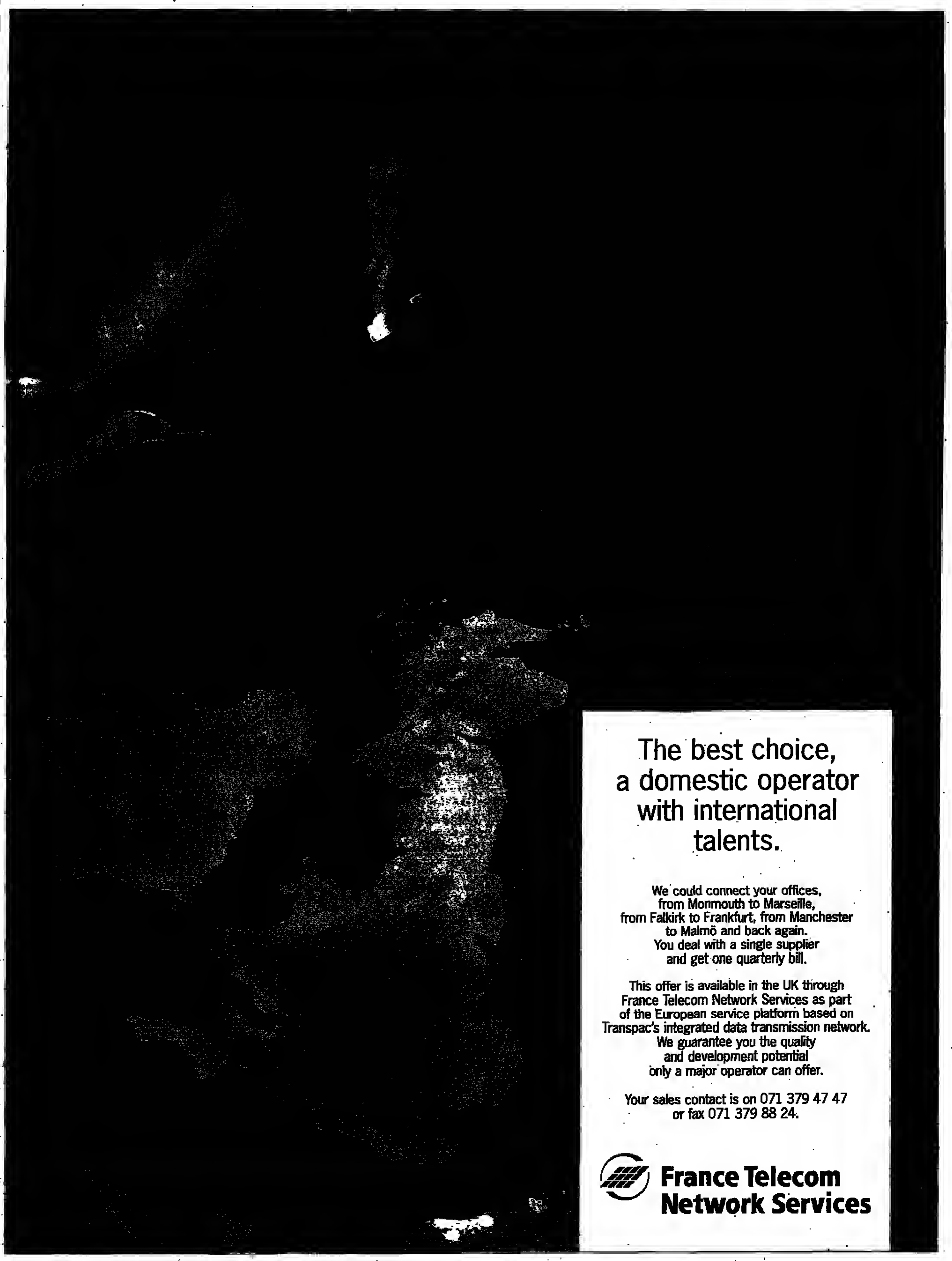
IN THE MATTER OF
THE PROPERTY TRUST PLC
AND
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 7th September 1994 confirming the reduction of the capital of the above-named Company from £6,250,000 to £1,505,280 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on 8th September 1994.

DATED this 8th day of September 1994

LAWRENCE GRAHAM
190 Strand
London WC2R 1JN

Solicitors for the above-mentioned Company



Rail dispute sparks risk-sharing move

By Charles Bachelor, Transport Correspondent

The cost of future rail strikes will be covered by an industry-wide risk-sharing scheme, the office of the rail franchising director said yesterday.

Such a scheme would spread the cost of "severe disruption", such as strikes, bridge or tunnel collapses and acts of terrorism, between the privatised rail operators.

It would also help to reduce the threat to the privatisation of the railway posed by the continuing signalmen's dispute which has disrupted the network for 13 weeks.

However, a spokesman for the franchising director said there had "been no lessening of interest from the companies seeking to buy franchises" since the dispute started.

The risk-sharing scheme at present under discussion would go further than many existing industry arrangements because it would indemnify train operating companies against revenue losses and not just against the direct cost of an incident.

"Strikes would be a risk that would be managed," said the spokesman.

The franchising director and the train operating companies have been in talks with the insurance industry to devise a method of covering catastrophic losses. At present British Rail meets all but the largest losses from its own resources.

But a conventional insurance arrangement would be extremely expensive, insurance industry sources said. Insuring railway operations would be a new experience for British insurers, so premiums initially would be very high. Insurance costs could be the third-largest item of expenditure for the train operators after track access charges and salaries. A risk-sharing scheme, by contrast, would be cheaper to operate.

Rail industry officials believe the signal workers' strike is the "last gasp" of the old railway structure. Drivers and maintenance workers will in future be employed by individual companies so would not have the capacity to disrupt the entire network.

In a separate development the department of transport and Railtrack denied they had discussed a "doomsday plan" to sack the signalmen and shut large parts of the railway network if the dispute continued.

The next two-day stoppage is due to start at midnight although Railtrack said it expects to open more than half of the network.

Whitehall construction projects under probe

By John Willman, *Public Policy Editor*

The government will this week announce a wide-ranging inquiry into the procurement of construction work by government departments and agencies following a series of Whitehall building embarrassments.

A small team of civil servants in the Cabinet Office Efficiency Unit will investigate recent large public-sector building projects which have either cost much more than originally planned or been subject to excessive delay.

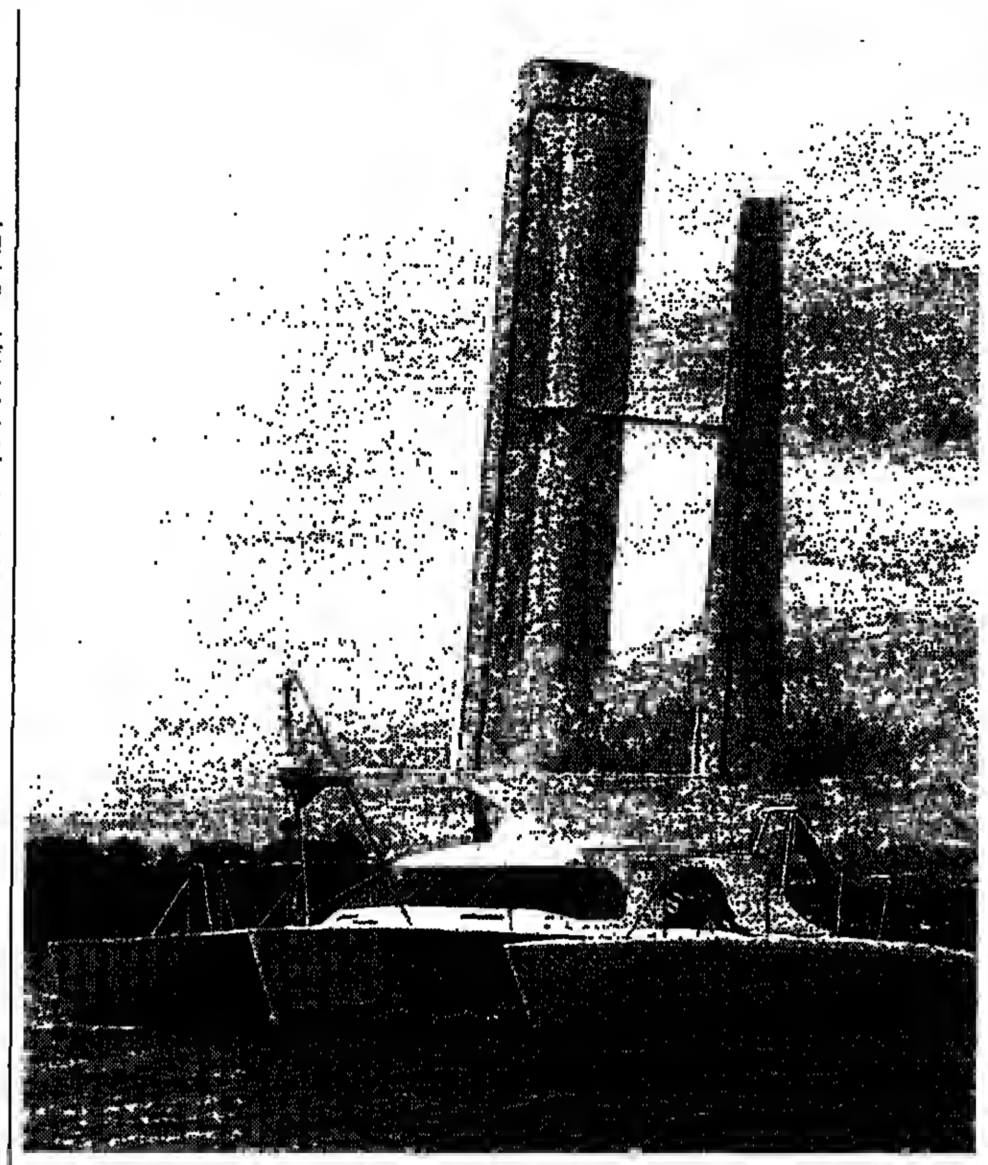
These include the £450m British Library building in north London, where the first phase has cost more than double the original estimate and is still incomplete 16 years after being given the go-ahead.

Other public-sector projects which cost much more than originally planned include the Trident nuclear submarine base at Faslane in Scotland, where overruns in construction costs accounted for much of the 72 per cent overspend on the 10-year project.

The inquiry will be supervised by Sir Peter Levene, the prime minister's efficiency adviser who completed a similar study in July on the government's use of external consultants. This recommended changes in the use of consultants that are expected to save £130m over three years.

Sir Peter is currently chairman and chief executive of Canary Wharf, the London docklands property development. Despite subsequent difficulties in finding tenants, the construction of Canary Wharf was finished on time and within budget, Sir Peter said.

The inquiry follows the Latham review into contract and management practices in the construction industry. The review recommended radical changes to reduce costs.



Press Association

Walker Wingsail's Zefyr 40 will be shown for the first time at the Southampton boat show next week. The 40ft trimaran, costing £105,000, is driven by vertical aircraft-style wings instead of sails

London lobbies over Adams

By Roland Rudd in London and Tim Coone in Dublin

The British government is confident that the US president will turn down a request to meet Mr Gerry Adams, president of Sinn Féin, who is expected to visit the US later this month.

Sinn Féin confirmed yesterday that Mr Adams has applied for a visa to visit the US. The Irish government is understood to believe that a meeting between the Sinn Féin leader and Mr Bill Clinton would move the peace process forward.

However, Downing Street, who is opposed to Mr Adams being granted a visa to visit the US, has lobbied hard against any meeting with the US president which it believes would enrage unionists. It is confident that US State Department has accepted its advice.

In Germany, EU foreign ministers were briefed by Mr Douglas Hurd, the British foreign secretary and Mr Dick Spring, the Irish foreign minister, on the peace process.

Mr Hurd said the IRA would have to prove by "words and deeds" that its ceasefire was permanent.

Mr Spring said he believed the joint declaration signed in Dublin on Tuesday by Mr Reynolds, Mr Adams and Mr John Hume, leader of the mainly nationalist SDLP, proved that the Irish government's interpretation of the IRA ceasefire announcement was correct and that the cessation was permanent.

● The government dismissed fears from right-wing Tories MPs and some Unionists that the failed attempt by IRA prisoners to shoot their way out of Whitemoor jail in Cambridgeshire would affect the peace process.

Britain in brief

Labour plans bank for business

The opposition Labour party plans to create a business development bank for small and medium-sized enterprises and to introduce a law entitling companies to a temporary moratorium on debts to avoid bankruptcy.

The proposals in a consultation paper, to be unveiled on Thursday, form the first substantive recommendations to emanate from the Industry Forum, a body set up in 1993 to promote detailed dialogue with the private sector during formulation of Labour party policy.

The forum has so far recruited about 40 companies and individuals.

In calling for a new emphasis on measures to help the small company sector, Labour says it intends to address the problem of long-term finance by establishing a new bank which will mobilise private finance for an investment fund giving priority to small and medium-sized businesses.

The bank, in which private sector partners will share ownership, will operate on a profit-making basis "at arms length" from government.

Growth in small companies

There has been a big structural shift in employment away from the large employer over the past decade, according to figures released by the Department of Employment published today.

At the same time there has been a jump in the number of people with the power to take on or shed staff.

The statistics, compiled by Vista Communications, employment consultants, show the extent of the decline of the large company.

The report says that there are 300,000 more businesses now employing 100 people or *fewer than* there were 10 years ago. During the same 10 year period from 1981 to 1991 the number of companies employing more than 500 people fell by 25 per cent.

Appeal over pensions ruling

The National Association of Pension Funds has urged the government to *allow* employers more time to make up shortfalls in pension scheme cash when tougher funding rules take effect.

In a white paper issued in June the government proposed a *minimum solvency standard* which would require pension schemes to hold enough assets to pay the "cash equivalent" value of each member's benefits if the scheme were wound up immediately.

It proposed that those schemes whose assets were 90 per cent or more of the standard should have up to three years to make up the shortfall but that those which fell below that should have to make up the shortfall within three months.

Rise in the use of cash

The move towards a cashless society suffered a setback last year. The number of transactions settled in cash rose for the first time in at least seven years.

A survey published yesterday by the Association for Payment Clearing Services for banks and building services showed that the number of cash payments of more than £1 rose by 1.6 per cent to 16.9bn.

It was the first time in the seven years the survey has been running that the number of cash transactions had risen. It remains the most popular method of settling bills and purchasing goods and services, accounting for 63 per cent of all transactions, compared with more than 70 per cent in the mid-1980s.

Non-cash transactions also grew by 2 per cent last to 8.9bn. But growth in the 1980s was more than 8 per cent a year, the association said.

MANAGEMENT

Alan Cane looks at how France's troubled Groupe Bull is being turned around as it prepares for privatisation

A last-ditch survival mission

General Eisenhower, then supreme Allied commander, pondered the future of Europe in this bare room near Versailles. Today it is the boardroom of Groupe Bull, the troubled French computer manufacturer, and Jean-Marie Descarpentries, chairman and chief executive, does the pondering.

There has been much to think ebout since his appointment 10 months ago. Bull, state-owned and awash with red ink, is in crisis. Its move from e prestigious Paris address in Rue de Malakoff, first to a tower block in the city's financial district and then to this sprawl of tin-roofed sheds at Louveciennes, reflects its straitened circumstances.

In the early days of Nato, the Louveciennes complex was the supreme headquarters of the Allied powers in Europe. It has been owned by Bull for years but has been unused until now. When the remaining headquarters staff have moved in, it will save about FFr500m (£61m) a year.

Every franc counts. Bull, which turned over FFr28.25bn last year, has lost some FFr15bn in the past three years and has depended on continued government investment for survival. But the government's patience and that of the competition authorities in Brussels is exhausted.

Bull will receive a final tranche of FFr3.1bn this year to clear its debts. Descarpentries, a controversial figure noted for his colourful management theories and his turnround skills – though they are not infallible – was appointed by Gérard Longuet, industry minister, with a mandate to prepare the company for privatisation.

At the time, the mission seemed almost impossible. Bull was among the weakest of the traditional full-line computer makers, including IBM and Unisys. They were caught flat-footed by sudden changes in the computer market which promoted the growth of networked small computers at the expense of large machines.

Bull and the others found themselves with declining mainframe sales, a cost structure out of line with potential revenues, and short of skill in the technologies needed to compete in the new industry.

The company'e situatiou was aggravated by two additional burdens. It had been France's computer champion for years, making the search for new investors politically sensitive. Moreover, years of state ownership had inculcated a stultifying civil service mentality which Descarpentries' predecessors, the analytical Francis Lorentz and the bluff Bernard Pache, seemed unable to counter.

Descarpentries seems, however, to have made remarkable progress in a short time. In the first half of the current year losses were more than halved, from FFr1.96m to FFr843m. Now he and his senior managers are talking confidently of making an operating profit for the year as a whole. By the middle of next year, they say, the company will be into net profit. Privatisation is expected to start in November.

If their predictions are correct, Bull will become much more attractive as a potential partner for other companies. Brussels, furthermore, will have to accept that the billions of French francs poured into the company in the past few years have been important to the company's restructuring.

George McNeill, head of Bull Europe, says it is no mirage: "We are a different company from six months ago. The culture has changed. Progress has become the norm."

Cynics counter that it is not difficult to transform the short-term financial results of a company in Bull's position. Staff numbers can be cut, and unprofitable operations closed or sold off. Such measures can damage a company's viability, however, making it difficult to return to growth. Critical skills are lost with people made redundant; some operations, although loss-making at the time, may prove essential to future strategy.

Descarpentries says he rejected this traditional approach in favour of what he describes as a "different" turnround technique, which puts what he calls "tension" on every part of the company by establishing benchmarks against which progress is measured.

Staff numbers continue in fall, nevertheless. There are about 29,000 today compared with 33,000 when he arrived. Comparison with other companies suggests the workforce is still too large.

Descarpentries' initial analysis told him he could expect a rapid turnround. His diagnosis was that Bull had solid business strengths, loyal customers and a history of sound etrategic decisions. But operations, the management structure and reporting systems were weak. He estimated that curing these faults would take 18 months. In the opposite case, where a company is sound operationally but has weak business fundamentals, turnround takes twice as long, he argues.

He was encouraged by data showing that the information technology business is growing strongly – 6 or 7 per cent a year – offering rich opportunities in Europe, where computerisation has proceeded more slowly than in the US.

The task, then, was to restore Bull to profitability rapidly, and then find ways for it to grow at least as fast as the industry. This includes broadening its equity base – NEC of Japan, IBM of the US and France Telecom already hold stakes – and finding more business partners for its product operations. Two more, Motorola and Tandem Computers of the US, were announced on Friday.

Improving Bull's operational capability called for a complete change of management and reporting methods. Three weeks into the job, Descarpentries set about choosing the top 10 managers in Bull (from a list of 25) in form a new executive team to run the company. He chose those whose track record and performance at interview identified them as people who got things done.

Many of the existing managers, he thought, placed cleverness above action: "A lot of the top people came to me without any figures. They knew a lot; their ideas were very conceptual. I did not understand what they told me, but I am sure it was very clever. But they never told me: 'My turnover is this, my profit margin is that.'"

Those who failed to make the top 10 either left the company or settled for lower positions. A key point was that Descarpentries was choosing people, not filling positions. As he admits, at the time he did not know enough about the company to know whet kind of structure was required. He reckoned, however, that if he put power in the hands of the best people, the rest would follow.

Descarpentries next took his newly appointed executive board to the holiday town of St Malo in the middle of winter for three days and nights of almost continuous talks. He asked them to choose the next 100 top managers to staff the organisation.

Only in the last hour of the session, however, did he tell the 10 what positions he wanted them to take in the structure – the objective being to get unbiased views of the abilities of the middle managers under discussion free from pre-emptive strikes on behalf of particular executives.

Today, Bull is decentralised and streamlined. There are seven product/service divisions, four geographic networks covering the globe and three corporate functions: organisation, business development and finance.

Old Bull hands say the company used to be dominated by the finance department. Today, conventional budgets have all but been scrapped and managers are measured only in terms of progress against the previous month's figures.

Only 10 business criteria – revenue, headcount, profit margin and so on – are used for monthly reporting, replacing the thousands of business statistics which used to be collected. Descarpentries says: "We have changed our financial culture completely. We measure only progress and, at the end of each six-month period, we compare ourselves to the best in the field." All of this was put in place between November 10 and 13 last year.

There is strong pressure to reduce non-salary costs: the move to Louveciennes is an example. In the first half of this year, these costs fell by $108m (£70m), which Descarpentries regards as a good start. Salaries and benefits are similarly under pressure, with some salaries frozen. Revenues rose an encouraging 12 per cent at the half-way stage, suggesting Descarpentries is on the right track.

The recent history of the computer industry has been full of false dawns, however, and it will take several sets of good results before the sceptics will be convinced that the change is permanent.

When asked if Bull's recovery looks real, a senior manager for one of its European rivals shrugged his shoulders. Perhaps, his gesture said, but hopes have been dashed before and this is a fickle business.

The flamboyant troubleshooter

Jean-Marie Descarpentries is an *enfant terrible* among French managers. Unusually flamboyant, voluble and opinionated, his reputation as a turnround specialist is laced with controversy.

His special talent is for provoking change in companies in crisis; managing in untroubled times is not his forte. "Creative confusion" typically describes his style. He is fond of boasting that he has been fired from every job he has held with the exception of McKinsey & Co, the management consultancy, where he worked between 1969 and 1976.

The companies with which he has been involved include the glassmakers Saint Gobain of France and Glaverbel of Belgium. As chairman and chief executive of Carnaud, a leading French packaging group, he first restored the company in health, then led the £780m acquisition of the UK's Metal Box Packaging in 1988.

What Descarpentries did for Carnaud has been described as a textbook corporate turnround. It lost FFr159m (£19.3m) on sales of FFr4.6bn in 1981; by the time of the merger it was making FFr365m on sales of FFr7.23bn.

The merged company, one of Europe's largest in the packaging business, proved less of a success as Descarpentries found that his cerebral theories about managers who behave either as horsemen or monks drew little response from the pragmatic British. Tensions grew within the company, senior managers left and performance fell away. Finally, after two years of increasing tension he quit. Critics say he underestimated how hard it would be in restructure Metal Box.

Trained at the Ecole Polytechnique, he was a paratrooper while in the army. Stories abound of the tactics he uses in ehock people into action. While he may have mellowed, he shows no signs of slowing down. At 57, he works extraordinary hours. Meetings often last until 10 or 11pm, explained only partly by the fact that during the week he lives by himself, joining his wife at the weekends at their 17th-century farmhouse south of Paris. For the average company doctor, Groupe Bull might be the last big turnround, but Descarpentries is already talking intriguingly about his next job.

DESERT ISLAND MANAGER

Leif Mills

Leif Mills, et 58 the new president of Britain's Trades Union Congress, is also general secretary of the Banking Insurance and Finance Union. He is the first graduate from Balliol College, Oxford, to reach the heights of the TUC and he is proud of that fact. An official of the union since national service, he became general secretary in 1972 and was elected to the TUC general council in 1983.

Most union leaders have been kept off public bodies over the past 15 years but not Mills. He sat on the armed forces pay review from 1980 to 1987 and was on the Monopolies and Mergers Commission from 1982 to 1991. A member of Investors in People UK and the council of the National Council for Vocational Qualifications, he is currently a trustee of the Civic Trust.

Along with a phone and fax, what piece of office equipment would you need on the island?
A word processor so I could write a new novel. I have already written one that is unpublished about the TUC Congress called *A Week in the life of Smith, Brown and Jones.*

What would you take in remind yourself of early days in the union?
I would take the first copy of our magazine – The Bank Clerk – which I edited.

Who would you take with you besides your family?
Sir Ranulph Fiennes. I would like to hear about his polar expeditions.

What food would you like to eat?
Big jars of prawns with mayonnaise.

And to drink?
A couple of hogs heads of Brakespeare brew, a local Henley beer.

What would you take to read?
The Worst Journey in The World by Aspley Cherry-Garrard, the story of Scott's expedition to the Antarctic. It would be a useful antidote in the heat of the desert island. But I'm a great Bertie Wooster fan so I would like in take the P.G. Wodehouse books.

A film?
Carol Reed's *The Third Man* with Orson Welles. I know every word of the dialogue. I would also like to take *The Hill* starring Sean Connery, which is about the military police. I was a second lieutenant in the Royal Military Police when I was doing my national service in Malaya.

What would you most like about desert island life?
Basking in the sunshine would be wonderful.

What would you most miss on the desert island?
The opportunity to row every week with my friends in my local rowing club.

One item to preserve your sanity?
I would love to take a computerised chess-set to play against. It would keep my mind active.

One item to ease the strain?
A pipe with plenty of Gold Block tobacco. I still find smoking a relaxation.

Any regrets?
That I just failed to win an Oxford rowing blue.

Robert Taylor

Volumes in learning – take it as read

LUCY KELLAWAY

What happens to all those management books that get published in greater number each year? There must be a market for them, or publishers would not print so many. But who has the time (or the inclination) to sit down and read them?

The answer seems to be, practically nobody. Managers buy the books, only to leave them on their shelves for show-off value, or at best to dip into them briefly. The Management Training Partnership, a training consultancy, has done some research into the reading habits of the UK's personnel directors, and found that three-quarters of them buy at least four heavyweight management books a year, but only one in five of these volumes stands any chance of being read.

The problem is partly the books themselves – which are too long and too tedious – and partly that managers have no opportunity to read volumes during the day and no desire to do so et night.

While they may buy Charles Handy's latest or Michael Hammer's book on re-engineering, the only book that they have actually read right through over the years is *The Goal*, written by the Israeli eccentric Eli Goldratt. And the reason they have read that is that it is written as a pacy novel.

The message to writers and publishers is that if they want their books to be read, as well as sold, the style cannot be too downmarket, and the arguments cannot be summarised too briefly nor in big enough letters.

So far the lesson has not been learnt: few books contain such summaries. The problem may be that if you condense the arguments in many management books too ruthlessly, you would be left with simple statements of the glaringly obvious.

What does the inside of your bathroom cabinet look like? Is the toothbrush near the toothpaste, and are both located for ease of access? Are your ties hung up with the colours ranging from dark to light for speed of selection? Is your breakfast routine organised in such e way that you do not move from the cupboard to the table more than once? If not, you could be wasting valuable minutes every day.

These are some of the handy tips contained in a new edition of *How to Gain an Extra Hour Every Day*. This is one volume that does not suffer from the general malaise of management books: it has sold 2.5m copies since it was published in 1955, and almost every page is a quick-to-read summary, containing few words of more than two syllables.

People may read this sort of thing – but do they take any notice? It is all very well to be told to get up at 5am, do several hours' work before breakfast, to move your toothbrush from its accustomed space, and to make lists of priorities every day on e wallchart in your office, which will be so tidy it will have almost nothing else in it. But try living that way. *It's easier to show willing* by buying the book.

Ray Josephs, the author of this fine work, is 82 years old and still charging round Europe armed with *aide mémoires* and maps, and sending off letters with all the important bits highlighted in yellow pen.

He is part of a tradition of elderly management writers who seem to keep going longer than people in almost any other line of business. W. Edwards Deming, the father of them all and inventor of total quality management, was 93 when he died last year. Peter Drucker is in his mid-80s and still going strong.

At first sight it is surprising that in an area so full of fads, gurus can survive for half e century and more. Perhaps it proves that it's e cushy life being e guru. Alternatively, it shows that fashions change only on the surface; people will elways want more time, to be better at motivating employees, and to achieve greater efficiency. Anyone on to e *good idea does well* to *stick* to *it*.

I was taken aback the other day to get a letter inviting me to reconsider e donation 1 had made to the Rwanda Emergency Appeal. Apparently the government has decided that anyone who gives more than £50 with e credit card in response to a charity'e plea on TV should be allowed to think better of it.

There are many expenditures that it would be good to be given a chance to reconsider, but this happens not to be one of them. What about that awful sofa, that expensive holiday, that ludicrous pair of shoes, that second-hand car with the alarming clanking sound? And what about all those sluggish investments?

Some shops give you your money back if you change your mind, but for most expenditures there is no way out. As there is nothing to insure us from a burst of greed or vanity, why should we be given protection from a shortlived burst of *generosity?*

Perhaps the government feels that the sight of starving children beamed into our living rooms makes us spend more than we otherwise would. But surely that is the whole point.

BUSINESS TRAVEL

UK trains running

British Rail plans to run a number of services during the 48-hour rail strike due to start at midnight tonight and end at midnight on Wednesday.

The Gatwick Express will run half-hourly services from London Victoria and London Bridge to Gatwick Airport and Brighton. Trains to Stansted Airport will run from London Liverpool Street. Travellers should check with British Rail or their local stations to find the times of trains.

Underground auction

Famous signs that have guided millions of passengers around the London Underground throughout the 20th century are to go under the hammer.

Station name plates, exit and keep left signs which have survived wars, royal weddings and coronations will be auctioned at London's Olympia on November 30.

Memorabilia enthusiasts from as far as Japan and Australia are expected to be among the bidders at what will be the largest sell-off of its kind.

Ferry port development

A £7m expansion of the continental ferry port at Portsmouth, Hampshire, is to be considered by planners next week.

The development would increase the size of the port by nearly 6 acres and the annual capacity by 152,000 freight vehicles.

The city council – whose policy and resources committee will discuss the development – says growth of freight traffic through the port has exceeded all forecasts, with an increase of 22 per cent in the first half of this year.

Airport shops

Long opening hours and the presence of a "captive audience" are turning airport shops into real money spinners, says a report published last week.

The report, *Airport Retailing in the UK*, by the Corporate Intelligence Group predicts that UK airport shops are heading for sales of more than £600m in 1994 – a 50 per cent increase on the 1990 figure despite the recession. Sales by the end of the decade could be worth £1bn a year, boosted by sales at shops run by high-street names such as Boots, W.H. Smith and Lillywhites.

Air Macau to launch

Air Macau will launch in the second half of 1995, with four jets and a staff of 300, including up to 40 pilots and 100 flight attendants.

"Our first routes, during the first two years of operations, will obviously be in south-east Asia, within a three and a half hour flight radius of Macau," said David Young, director-general designate of Air Macau.

Flexible cabins

USAir is introducing a new service called Business Select for business-class travellers.

A flexible aircraft cabin will enable the airline to maximise revenue by converting economy-class seats into Business Select seats between flights if necessary. The size of the premium-class cabin can be expanded from the standard 10 seats to as many as 45.

Business Select will go on sale on November 1. It will initially be offered on 210 daily flights serving 16 cities on the east coast of the US.

USAir also announced that it will expand the size of the first-class cabin on its fleet of Boeing 737-300 long-range aircraft from eight to 12 seats.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	31	28	29	29	30
Hong Kong	29	29	29	30	31
London	18	16	16	15	16
Frankfurt	22	18	19	16	15
New York	24	26	30	28	27
L. Angeles	24	23	26	28	29
Milan	25	25	22	22	22
Paris	20	20	16	14	16
Zurich	22	16	17	16	14

Maximum temperatures in Celsius.
Information supplied by Meteo Consult of the Netherlands

When the industrial action is over, some passengers may not return to UK trains, says **Charles Jennings**

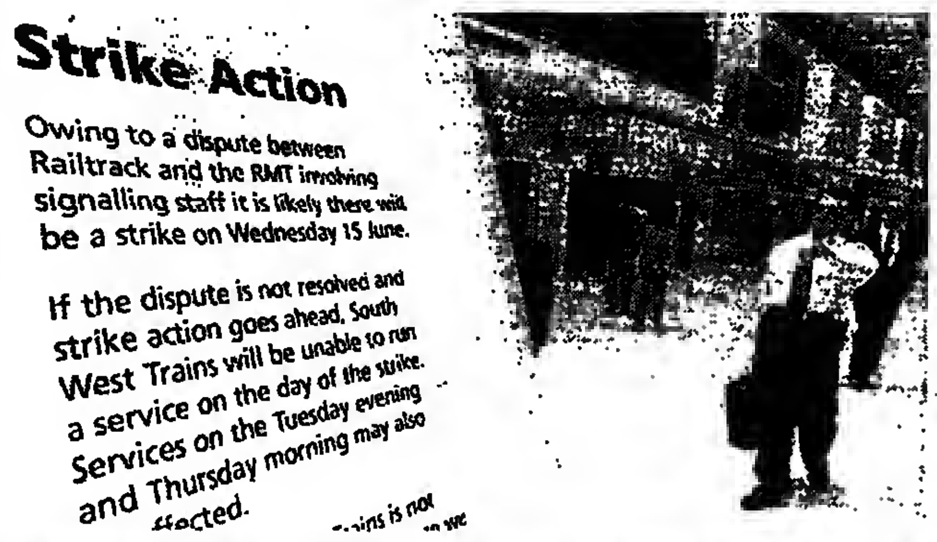
Striking a blow for the airlines

While it may be a pain in the neck for business travellers, for UK airlines the signal workers' strike on one or two days a week since mid-June has been a godsend. British Midland claims to have carried 27,000 extra passengers in the past three months, compared with the same period last year; while British Airways is reporting an extra 9,000-10,000 passengers a week on its domestic routes – a 10 per cent increase on numbers 12 months ago.

No one yet knows how many of these newly won passengers will stay with the airlines once the strike is over. As British Midland's spokeswoman says: "So far, the figures suggest that they've mostly been travelling on strike days. There's no evidence – yet – that people are fundamentally changing their habits."

What the airlines do know, however, is that it gives them a new group of customers to whom they can advertise their product. BA recognises that many business travellers' first experience of the airline will be on a domestic route. "It is," according to the company, "our shop window. It's where we sell BA."

To this end, the airline has been introducing incentives, including a no-reservation shuttle service on the London-Glasgow and London-Manchester routes; automated ticket dispensers; and complimentary food and drink on all flights, no matter how brief. "You get a four-course meal and a drink on the London-Glasgow route. It's a masterpiece of timing," proclaims BA.



Reuter

Action stations: some travellers could forsake trains on long journeys even when the strike is over

But British Midland's latest manoeuvre in the battle for business travellers is perhaps more interesting. This week sees the introduction of the Diamond Pass: a season ticket entitling the holder to five return journeys to any of the airline's destinations within a period of three months from the date of issue.

The price is £699: which means that, on some routes, a British Midland pass holder could save as much as £221 over the equivalent five first-class rail tickes.

"We've had this planned since the start of the year," says British Midland. "It's not a response to the rail strike, and we're not trying to capitalise on it." It does, however, throw a new element into the business traveller's equation of time, convenience and cost.

Even without British Midland's new initiative, ticket prices on some routes are already creeping towards parity. Although an InterCity first-class return from London to Manchester stands at £130, against £180 for an equivalent BA ticket, a first-class InterCity return from London to Glasgow is £184, while on BA or British Midland, the equivalent is £224. For London to Newcastle, the figures are even closer – £180 for InterCity, £206 for BA/British Midland.

Throw in considerations such as time and convenience, and InterCity's advantage shrinks further. London to Manchester by train takes two and a half hours, plus half an hour, say, to get to the station; the plane takes 50 minutes, plus, say, an hour and a half to reach Heathrow and check in. Glasgow, on the other hand, takes five and half hours by rail, compared with an hour and a quarter by air.

This is where British Midland's strategy looks most effective. Leaving aside the logistical questions (such as whether you are going from city centre to city centre, or outskirts to outskirts), if you can save on price as well as time on the longer routes by going by air, the logic of train over plane evaporates.

As BA puts it: "We've seen a steady growth in the number of business travellers flying over the last few years, and although we're not doing any special research to find out who's going to change from rail to air after the strike, the fact is that some people are bound to change for good."

Luckily for InterCity, there are not enough airports to turn the UK into another United States, where businessmen fly everywhere. But with every day of strike action, InterCity must view the future with rather less certainty.

'I am afraid it is unsafe to land'

Michael Cassell had to prepare for an emergency

It was when the Belgian businessman sitting next to me scribbled a farewell note to his wife that I began to take seriously the plight of British Midland flight BD147 as it circled Brussels airport.

We might now believe that modern air travel is as routine as hopping on and off the bus. But when your aircraft's captain breaks the news there is a technical fault making the DC-9 "unsafe to land", you can't jump off and catch the one behind. The incident which last week brought a dozen "B" movie scripts to life began with an announcement that the landing had been aborted because of indications the landing gear was faulty. The crew would consult with engineers on the ground.

Passengers eyed each other, but pressed on with reading the papers and punching their laptops as the flight attendants, smiling impressively, gathered together outside the flight deck door.

Minutes ticked by. The aircraft, announced the captain in his finest "trust me" tones, would now have to fly over the airport so ground crew could take a look. Having done so, he again broke the nervous silence. There were, he said, visual indications that the landing gear was down and locked, but the instrumentation still insisted otherwise.

"I am afraid, ladies and gentlemen, that we will therefore have to prepare for an emergency landing. Rescue services have been alerted. Please listen carefully to the cabin crew who will instruct you in emergency landing procedures."

Two passengers leapt to their feet. "Sit down. Now," snapped the chief steward.

Emergency landing procedures were read out quickly from a card, perhaps too rapidly for already-racing minds to take in. "Loosen neckties, feet under seat, head on knees, hands on head." A stewardess asked, in an exquisitely inappropriate way, whether we were "happy" with the instructions; individual lessons were given to those who were not. At no time was any language other than English used.

Emergency exits were pointed out and we were asked to locate the nearest to us. Would assigned exits not be more sensible in order to avoid chaotic, two-way traffic in the aisle, or is it unwise to be too prescriptive in the face of unpredictable events?

The aircraft circled for the last time. I envied the cars and the cows below, oblivious to the drama above their heads. The utter inability to influence the outcome induced a bizarre calm. My brain was busy with banalities rather than the meaning of life. Who would walk Muffin? Who would write the articles for the survey on European Business Locations which had put me up here?

At what seemed an extraordinarily slow speed, the aircraft dropped to the end of the runway as the instruction came: "Brace, brace, brace." I half-heartedly obeyed, resenting the potential indignity of being found with my head between my knees.

The landing was, of course, perfect. Shrieks of "Yes!" and applause broke out. The aircraft stopped on a sixpence, surrounded by emergency vehiclas; a foam cannon pointed at the window.

A stewardess walked down the cabin and asked if everyone was all right. We were "safe", the captain said, but engineers were to insert pins in the undercarriage before we moved another inch. The runway remained closed.

Our flight deck heroes thanked us for our calm; we thanked them for theirs. "That should be worth a thousand free Air Miles," someone told the chief steward.

The incident was deeply disturbing, but the handling of potential calamity by a well-rehearsed crew was professional and successful. On the return trip, I studied the emergency procedures card for the first time in years, comforted by the thought that the incident was as rare as it was unwelcome.

British Midland operates more than 52,000 flights a year and says it cannot recall the last such electrical malfunction. It was, said a spokesman, a "once in a lifetime experience for passengers and crew".

BUSINESS TRAVEL

BA relaunches Club Europe

By Paul Betts

British Airways will unveil today a £70m revamp of its Club Europe business-class services.

It is the biggest investment BA has so far made in the European business travel market. It comes at a time when European business travel is recovering from recession and airlines are facing new challenges from the imminent Eurostar Channel tunnel rail services and from growing liberalisation in the European single aviation market.

In a study of the European travel market to coincide with the launch of the new BA Club Class services, DeAnne Julius, BA's chief economist, notes that European air travel continued to increase appreciably even during the last three years of recession.

Between 1989 and 1992, the total number of passengers travelling for business reasons in Europe rose by 15.5 per cent. Julius forecasts growth of 4.4 per cent in 1995 and 5.5 per cent in 1996 in European scheduled air traffic.

These forecasts take into account what BA expects to be the likely effects of the Channel tunnel. "We expect it to divert a portion of current city-centre London to Paris traffic, but also to stimulate additional leisure travel between Britain the Continent," she says.

BA does not expect the Channel tunnel's impact on total European air traffic to be large. But a number of other industry analysts disagree and say tha start of Channel tunnel passenger rail services in November is likely to spark off a fierce fares war on air, rail and ferry traffic.

BA's chief economist believes the European economy is on the threshold of an accelerating recovery, which will clearly have an impact on business travel. The UK is leading the way, with recovery now also finally gathering momentum in the German and Italian markets. French prospects are also looking good, she adds.

The Club Europe revamp also reflects the growing importance BA is now placing on the overall European market. "The growing European air transport market is crucial to BA, with Europe as a whole, rather than the UK alone, now its home base," Julius emphasises.

This shift has seen BA increasing its European flights by 22 per cent between 1991 and 1993, as well as reinforcing its European presence by investing in new European airline subsidiaries, including TAT in France and Deutsche BA in Germany.

BA's Club Europe was originally launched in 1988 as one of BA's first new branded services.

Why agents are 'going global'

Richard Waters on the expected deal between American Express and Thomas Cook

Business travel agents are getting fewer but bigger – a fact that will not have been missed by any company with a sizeable travel budget. This trend towards bigger agencies with wider geographic reach (the agents like to call it "going global") is likely to be confirmed today, with the expected announcement that American Express is buying large parts of the Thomas Cook travel agency business.

Alongside the combined networks of the US agency Carlson and the French-based Wagonlit, which formed a business travel joint venture earlier this year, American Express will rank as one of two agencies with a claim to broad reach In both the US and Europe.

None of this is likely to make much difference to the average travelling businessperson. It will be noted, however, in the travel departments of big companies around the world as a sign of the continuing reshaping of tha business travel market.

Perhaps one question above lies behind the latest deal: in future, why will big companies need travel agents at all?

These intermadiaries traditionally have performed two functions: collecting and sorting information (about schedules, fares and the like) and using their size (where they have it) to negotiate better prices or obtain preferential treatment for their customers.

Due largely to advances in information technology, both roles are under threat. Computers make the job of sifting information much easier, as well as enabling companies to keep better track internally of the travel needs of their staff. This in turn has has made it easier for companies with big travel budgets to go straight to the airlines to negotiate their own volume discounts.

IBM, for instance, says: "We negotiate rates directly with some of the major carriers, and the agents simply implement those [agreements.]" Some of the biggest US companies – including General Motors, Merck and Black & Decker – want to take this one step further. Through a joint company called Business Travel Contractors, they are proposing to pool their buying power to force the airlines to give them better rates. As part of the deal, the airlines would not pay any agents' commissions, and would stop issuing frequent flyer miles to these companies' employees.

If agents have no role in negotiating prices, or even the choice of airline, the commissions on ticket sales, which form the bulk of their income, will come under increasing threat. The combination of new low-cost airlines and a move by many companies to reduce their use of business-class has brought down the average ticket price, with direct consequences on commissions (a standard agent'a commission is around 10 per cent of the ticket price.)

In this environment, it is not surprising to see some consolidation in the business travel agency business. Also, by extending their network geographically, the agencies hope to increase their value to their biggest customers by providing information and negotiating muscle in overseas markets.

As in other service industries that rely on multinational companies for their income, the conventional wisdom now holds that big is better. "Either you need to be a global company, or you need to be a very good niche player," says Travis Tanner, president of Carlson. "There isn't a very good chance of survival in the middle market."

One reason, runs the argument, is that big companies prefer to use fewer agents. "North America is leading the charge, followed closely by Europe," says Tanner.

Is consolidation among agencies good for the business customer? To the extent that being bigger brings down an agent's costs (by as much as 30-40 per cent, says Tanner,) yes - though the disruption in service that often accompanies takeovers in service industries may counterbalance this. Also, the bigger agents should have more power to negotiate lower fares in international markets, though this is an argument that the agents admit has yet to be proven.

Perhaps most significantly, though, scale will justify the investments in new technology that the biggest agents plan to make in the years ahead. Control of information is the most significant factor that is likely to justify their continued existence over the long term, since even the biggest companies will be able to rival the intermediaries in the international travel markets.

Facing shrinking commissions from airlines, the agents are already trying to persuade big companies that they should pay fees for their services. Providing a service that justifies those fees is the challenge for the rest of this decade.

MEDIA FUTURES

Aim is to have a greater participation in hits like Four Weddings and a Funeral (above)

BBC and Channel 4 move to exploit rights

By Raymond Snoddy

Two British broadcasters, the BBC and Channel 4, are about to launch significant initiatives which emphasise the importance of the acquisition and exploitation of film and programme rights in the increasingly competitive broadcasting market.

Channel 4 will this evening launch its first video label and plans to release at least 24 titles a year under its own name. The channel is also interested in a joint venture in cinema distribution in the UK, apart from keeping the UK video rights of future feature films it invests in under the *Film on 4* banner.

The aim is to have a greater participation in future in the exploitation of films such as the current international hit – *Four Weddings and a Funeral*.

The BBC, which has been given active encouragement by the government to develop an international commercial business, is joining two private investors in a new television rights acquisition company called Delta.

Tha BBC is expected to have a 20 per cent stake in the new venture which will be run by Ann Harris, at present the director of co-production in London of the Italian-owned RCS Films and Television.

The other two backers of Delta are Gartmore, the UK investment fund, and Media Ventures, which has stakes in Teletext, ITV and UK Talk Radio, the new national commercial station launching next year.

Colin Leventhal, head of Channel 4 International and managing director of Channel 4 Video, hopes that video sales will double Channel 4 International's turnover over the next three years. Last year the channel had revenues of £11m and profits of £4m on its sales operations.

The video business will begin with the launch of five titles, retailing at £12.99 each. They range from three Equinox programmes, *Fly Navy*, *Spitfire* and *Space Shuttle Discovery* to two comedy titles, *The Most Unpleasant World of Penn & Teller* and *Totally Bill Hicks*, a compilation of the Channel 4 tribute and his last live performance in the UK.

For the Christmas market Channel 4 will launch a video of *Brookside*, its regular soap opera – nearly half of which will be new material. In every case the channel says it will be working closely with independent producers who provide most of its programmes.

In the past Channal 4 has sold video rights on request to other companies but only about half a dozen titles were released.

Leventhal says he is confident that the new venture "will be a welcome addition to the services we offer our viewers, while at the same time generating significant revenues for Channel 4." It will also take him into head-on competition with the BBC – usually after Disney the leading video "sell-through", as opposed to rental label, in the UK.

Electronics in the dock

Kieran Cooke reports on Singapore's courtroom of the future

Perry Mason probably would not approve. Rumpole of the Bailey would hate it.

Singapore recently unveiled its latest high technology creation – the so called court of the future, dominated by computers and video conferencing, rather than files and shuffling clerks.

Singapore is trying to computerise most aspects of government business. Now its technicians from the state controlled National Computer Board (NCB) have moved into the court room.

Though Singapore no longer has a jury system, its justice system still resembles the old colonial British model, with judges taking endless notes in longhand, lawyers shuffling mountainous files, assistants carrying weighty legal tomes.

"The first thing we want to try and do is use technology to organise paperwork and procedures in court," says Joseph Teo of the NCB. "Everything would be digitised and fed on to the judge's computer. The court system would become paperless and there would be instantaneous transcription of proceedings."

Teo is one of a handful of NCB technicians behind a scheme called Court Vision 21, billed as the most ambitious court computerisation plan under way in Asia.

"In time we want to try and move into virtual courts – which would allow people the freedom to transact court matters from offices and homes," says Teo.

Though this sounds futuristic, similar experiments are already under way in the US, Canada and Australia. Teo and his technicians feel they have an advantage in implementing such systems in Singapore. The island state is small, with a population of under 3m.

Singapore has a high degree of computer literacy: about 30 per cent of households have computers. Ten years ago Singapore had only about a thousand computer professionals. Now it has 14,000. The NCB plans to have fibre optic cables connected to every home and office by early next century.

Teo demonstrates how a robbery trial might take place in years to come. The prosecution would be able to present its case on a large telavision screen through using a series of icons describing how and when the robbery took place. The icons could be animated and there would be sound. And, for example, a witness could give his or her statement via a video conferencing link with Hong Kong.

IBM and other companies have helped NCB come up with the equipment to make the court of the future work. A range of "litigation support software" is used to allow the judge – who need not necessarily be in court – to call up on his personal computer both evidence and exhibits through a variety of multimedia tools.

The court has access to other computer aids: "SING" – Sentencing Information Guide System" – allows instant storage and retrieval of documents in the form of text, video, image and voice.

In a jury system, members could, while making their decision, have instant access to voice testimony, exhibits or specific areas of the prosecution or defence cases presented.

Lawyers and judges can also call up Lawnet, a database containing Singapore's laws. All past court decisions will also be available through the computer network.

The system has several advantages: it would be likely to speed up court proceedings dramatically. Juveniles would no longer have to go through the trauma of going to court – they could give evidence from their homes. Singapore is already implementing computer-based systems for hearing applications for bail, eliminating the time and money it takes to bring a prisoner to court.

But there are also some serious reservations about the system. For one thing delivery of testimony via video is not now admissible in Singapore's courts.

The NCB says that the Singapore Chief Justice and other figures in the judiciary have been very supportive and it is hopeful that handicaps to the implementation of interactive courts can be overcome.

The system, however, asks a great deal of lawyers and judges. They would not only have to be experts on the law, they would have to become computer technicians as well. The clash between one of the world's oldest professions and one of the most modern could be a painful one.

The court of the future might speed up the legal system. But digital justice could make the judicial system seem very inhuman and distant. It could also make going to court more expensive.

In many countries the judiciary worries that the person with the most expensive lawyer has too many advantages. In the court of the future a defendant might find he or she not only needs a good lawyer, bnt also that a good multimedia presenter could be a great asset.

Singapore's aim is to have everyone plugged in to the information superhighway. The NCB says that Singaporeans will increasingly use computer technology to carry out a wide range of chores, like shopping or banking. They will then have more "discretionary time" to do other things.

Singaporeans are having to accept computer technology in many areas of activity. In 1996 Singapore plans to introduce the world's first electronic road pricing system, with motorists being automatically charged, through an electronic card fixed to their vehicles, for driving on certain roads

"People in Singapore are very technology orientated," says Teo. "That is in our favour as we try to introduce multimedia into the courts. The changes are bound to bring problems. It is a question of taking one trench at a time."

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Bulmer (HP) 3.8p
Chevron $0.4625
Coda Grp. 0.5p
Cons Murchison R0.35
Fuji Bk Int. Fin. Perp. Sb. Gtd. FRN $14002.08
Honeywell Inc. $0.24
Inveresk 1.84p
Kawasaki Steel 6% Bd. 1997 Y600000.0
Kubota FRN 1997 Y62562.0
Lilly (Eli) $0.625
MBL Fin. (Curacao) 6¾% Gtd. Bd. 2008 $875000.0
Mobil $0.85
Monsanto $0.63
MS Int. 1.5p
Nippon Paint 3.1% Bd. 1997 Y610000.0
Reuters 1.9p
Sabre Int. (No.2) Ser.N Var. Rate Nts. 1996 Y62340.0
Do. Ser.O Y67563.0
Sapporo Breweries FRN 1997 Y600347.0
Stanley Leisure 3.5p
Sumitomo Heavy FRN 1996 Y66583.0
Tokai Bk Nederland Fltg/Fxd. Rate Gtd. Nts. 2004 $23767.36

■ TOMORROW
Hydro-Quebec 12¾% Ln. 2015 £6.375
Tenneco $0.40

■ WEDNESDAY SEPTEMBER 14
Adam & Harvey 11p
British Thornton 3.5p
Brunner Inv. Tst. 2.5p
Chase Manhattan Fltg. Rate Sb. Nts. 2009 $134.17
Cray Elects. 1.5p
Goode Durrant 3.8p
Hong Kong & Shanghai Banking Prpn. Cap. Und. FRN (Ser.2) $63.69
Kirin Brewery Y5.0
Queensland Treasury 5.3% Nts. 1994 Y53000.0
Ragby Gtd. FRN Dec.1997 $13812.78
Uny 3.7% Nts. 1998 Y92500.0
Young & Co's Brewery 9½% Db. 2018 £4.75

■ THURSDAY SEPTEMBER 15
Atlantic Richfield $1.375
BankAmerica $0.40
Brunswick $0.11
Bullough 1.75p
Carpetright 4.3p
Christiania Bank FRN 1994 $268.33
Continental Bank $0.15
CSX $0.44
Dana $0.21
Dover Corp. $0.26
Edinburgh Inv. Tst. 3.85% Cm. Pf. 1.925p
Eve Grp. 8p
Forte FRN 1999 £1455.62
Gartmore American 11¾% Db. 2014 £5.8875
Gentra Fltg. Rate Sb. Cap. Db. 1998 $221.69
Gracechurch Mortgage Fin. (No.2) Class A Mtg. Bckd. FRN 2028 £1324.19
Do. Class B £1594.25
Do. (No.3) Class A Mtg. Bckd. FRN 2029 £919.11
Do. Personal Loan (No.1) Class A FRN 1998 £778.95
Do. Mezzanine FRN 1998 £1172.35
Guaranteed Export Fin. 10¾% Gtd. Bd. 2001 £1082.50
Hyundai Int. Merchant Bk FRN 1994 $234.63
Midland Bk Non-Cm. $ Pf. Ser.A1 $0.355
Do. Ser.A2 $0.08875
Midland Int. Fin. Services Gtd. FRN 1999 $255.56
Morrison (Wm) Supermarkets 5¼% Rd. Pf. 2.625p
Newcastle Bldg. Scty. 12⅝% Perm Int.
Brg £83.125
Pennzoil $0.75
Pfizer $0.47
Quebec (Province of) 12¼% Ln. 2020 £6.125
Royal Bank of Canada Fltg. Rate Db. 2085 $121.39
St. Modwen Props 0.5p
Spintab FRN Sep.1998 $111.81
Sweden (Kingdom of) 9¾% Ln. 2014 £487.50
Thomson Corp. $0.113
Time Warner $0.09
Trinova $0.17
TRW $0.50
Whirlpool $0.305
Yeoman Inv. Tst. 5.5p

■ FRIDAY SEPTEMBER 16
Anglo & Overseas Tst. 1.75p
Baring Tribune Inv. Tst. 1.7p
Beatrix Mines R0.50
Border Television 2.4p
Buffels R1.40
Creightons Naturally 5.5p
Elandsrand R0.40
Grootvlei R0.25
IWP Int. IR4.75p
Leeds Permanent Build. Soc. FRN 1998 £133.90
Leslie R0.30
Lloyds Bnk Ser.C Var. Rate Sb. Nts. 1998 £140.84
Louisiana Land & Expln. $0.25
M & G Recovery Inv. Tst. 0.85p
Do. Geared Units 0.85p
Do. Package Units 0.85p
Northern Foods 5.3p
St. Helena R1.55
Shandwick 0.43p
Southvaal R2.15
Spargo Consulting 1.6p
Stilfontein R0.75
Sumitomo Chem. FRN 1997 Y59416.0
Trans-Natal Coal R0.57
Treasury 2% I.L. 1996 £2.08
Unisel R0.20
Vaal Reefs R7.20
Western deep R2.75
Winkelhaak R1.30
Witan Inv. 2.7p

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
British Biotech, Merchant Taylors Hall, 30, Threadneedle Street, E.C., 10.30
BOARD MEETINGS:
Finals:
Castle Comms
Dalgety
Dowding & Mills
Fll
Korea-Europe Fd.
Merivale Moore
Perpetual Japanese Inv. Tst.
Pict Petroleum
Second Alliance Tst.
Interims:
Amey
Aspen Comms
Biotrace Int.
British Polythene
Candover Invs.
Dewhirst
EIS
Forth Ports
Healthcall
Jupiter Tyndall
Liberty
Merchants Tst.
Murray Euro Inv. Tst.
Pendragon
Select Appointments
Sharpe & Fisher
Singer & Friedlander
Thailand Int. Fd.
UK Safety

■ TOMORROW
COMPANY MEETINGS:
Barbour Index, New Lodge, Drift Road, Windsor, Berks., 4.30
Cray Elects., The Brewery, Chiswell Street, E.C., 11.00
Electron House, 17, Strkheads Road, Reigate, Surrey, 12.00
Gibbs Mew, The Grange, Grange Road, Netley, Southampton, 2.30
Matthew Clark, Clock House, London Road, Guildford, 5.00
Mid-States, Ludgate House, 245, Blackfriars Road, S.E., 3.00
Worthington, 199-205, Old Marylebone Road, N.W., 11.00
BOARD MEETINGS:
Finals:
Conrad Ritblat
Domestic & General
Gartmore Scotland Inv. Tst.
Usher (Frank)
Interims:
Bardon
Baynes
Blagden Inds.
Bloomsbury Publishing
Caradon
Claremont Garments
Clyde Petroleum
Co-Operative Bank
CreateCare
Crockfords
Cussins Property
DRS Data & Research
Delta
EBC
Eyecare Products
FBD Hldgs.
Finlay (James)
Fisons
Fleming Overseas Inv. Tst.
Kingfisher
Lopex
Mayborn
North Atlantic Smaller Co's Inv. Tst.
Owen & Robinson
P & O
Parkdean Leisure
Taylor Woodrow
Trinity Int.
Utd. Friendly
Watmoughs
Wyevale Garden Centres

■ WEDNESDAY SEPTEMBER 14
COMPANY MEETINGS:
AIM Grp., New Connaught Rooms, Great Queen Street, W.C., 12.00
Adam & Harvey, 15-16, Bonhill Street, E.C., 10.30
Courts, 180A, Fleet Street, E.C., 11.00
Dudley Jenkins, 2A, Southwark Bridge Office Village, Thrale Street, S.E., 10.30
BOARD MEETINGS:
Finals:
BZW Conv. Inv. Tst.
F & C High Inc. Tst.
Lincat
Polypipe
Interims:
Argent
Arlen
Assoc. British Ports
Blenheim Grp.
Caird
Calor
Devro Int.
English China Clays
Era
Kleerfold
Kleinwort Smaller Co's Inv. Tst.
Lambert Howarth
Lasmo
London Forfaiting
Middlesex Hldgs.
Newey
Prudential
Roskel
Roxboro
Rugby Estates
Savoy Hotel
Stat-Plus
Try
Vardon
Woodchester Inv. Tst.

■ THURSDAY SEPTEMBER 15
COMPANY MEETINGS:
Border Television, Television Centre, Carlisle, 12.00
Firth (GM), Teams, Gateshead, 10.30
Gibbon Lyons, 22, *Coleman Fields*, N., 12.00
Hazlewood Foods, Assembly Rooms, Derby, 12.00
London Int. Grp., Grosvenor House Hotel, Park Lane, W., 9.30
MFI Furniture, Chartered Accountants Hall, Moorgate Place, E.C., 11.00
MITIE, Stable Block, Barley Wood, *Wrington, Avon*, 12.00
Mays, Watermens Hall, 16, St. Mary-at-Hill, E.C., 12.00
Prior, Crusader House, 14, Pall Mall, S.W., 10.00
Tiphook, RAC Club, 89, Pall Mall, S.W., 10.00
Unipalm, Trinity Centre, Cambridge Science Park, Cambridge, 10.30
Wintrust, 21, College Hill, E.C., 12.00
YRM, 24, Britton Street, E.C., 12.00
BOARD MEETINGS:
Finals:
Cala
East German Inv. Tst.
Ind. Control Services
Logica
Primadona
Sirdar
Interims:
APV
Applied Distribution
Barlows
Beauford
Booker
British Mohair
Comp. Fin. Solutions
Courtaulds Textiles
Crean (James)
Folkes
Jackson Grp.
Lewis (John)
Kwik-Fit
Legal & General
Mirror Grp.
S & U
Swallowfield
Utd. Biscuits
Warrants & Value Inv. Tst.
Whatman
Wood (Arthur)

■ FRIDAY SEPTEMBER 16
COMPANY MEETINGS:
Andrews Sykes, 373-379, Dudley Road, Wolverhampton, 2.30
Hampson Inds., Copthorne Hotel, Merry Hill, Brierley Hill, W. Midlands, 12.00
Radiant Metal Finishing, 89, Fairfield Road, Bow, E., 10.30
Ransom (Wm), 104, Bancroft, Hitchin, Herts., 3.00
Taunton Cider, County Hotel, East Street, Taunton, 10.30
Tomkins, Four Seasons Hotel, Hamilton Place, Park Lane, W., 11.30
Tops Estates, 77, South Audley Street, W., 11.00
Unit Grp., Watermens Hall, 16, St. Mary-at-Hill, E.C., 12.00
BOARD MEETINGS:
Finals:
Bailey (CH)
Explaura Hldgs.
Interims:
Aran Energy
Bruntcliffe Aggregates
Elys (Wimbledon)
Fired Earth
Hornby
Keller
Macallan-Glenlivet
Midland Independent Newspapers
Next
OIS Int. Inspection

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

PEOPLE

The head who saw off Patten

As schools return for a new academic year, **Joan Clanchy** tells **John Authers** that, while she regards league tables as 'good clean fun', she drew the line at controversial English tests for 14-year-olds

Joan Clanchy, headmistress of the North Londoo Collegiate School, has had fame thrust upoo her in the past two years. She can lay the blame at the the feet of the government and its spasm of education reforms.

Until two years ago, she and her school almost seemed to be going out of fashion. A tall Oxford-educated Scot, she took over as head of North London nine years ago having previously been head of St George's School, Edinburgh – another traditional girls' school.

A keen academic historian, Clanchy was then best known only as one of the most imposing figures in a girls' school movement increasingly threatened by the decision of some boys' schools to go mixed, and as a pragmatic educational traditionalist.

With this reputation in mind, ministers appointed her to the National Curriculum Council, the quango which administered the new curriculum it was imposing in all the state schools of England and Wales.

Now, Clanchy starts a new school year as head of a school still bathing in positive publicity, thanks to its mighty showing in exam result league tables; it was top of the FT's table for girls' schools last year and this. Meanwhile, the new education secretary, Gillian Shephard, has introduced a radically reformed package of tests following a revolt by the teaching profession in which Clanchy was seen to take a leading part. It accounted for the political head of Shephard's predecessor, John Patten.

Ironically, Clanchy disapproves of the league tables which have showed her school to perform prodigiously. Like most teachers, her first concern is for individual pupils, and she is alarmed by the distraught reactions from girls who managed "only" a B in their GCSE exams – league tables now reveal that 81.5 per cent of the GCSEs taken at North Londoo Collegiate last term resulted in A-grades.

Unlike many independent school headmistresses, she has experience of the state sector, having started her teaching career at a comprehensive, and is quick to admit that North London is very privileged.

Set in beautiful buildings on the edge of an Edgware park, the school is heavily over-subscribed, and she therefore has the luxury of being able to select pupils, interviewing parents as well as their daughters.

She also treats the welter of positive publicity for girls' schools which the tables have triggered with amusement: "League tables," she says, "are good, clean fun, but they don't necessarily show that girls' schools are particularly wonderful. What they might show is that 16-year-old girls work a lot harder than boys."

The truly interesting phenomenon, for her, is girls' previous under-performance, not their more recent improvement. She points out that girls now out-perform boys by a wide margin at GCSE at both single-sex and mixed schools, a disparity which is widening every year.

She believes this is a social circumstance: "Girls, particularly those of middle-ranking academic ability, now believe that they have a real chance of entering a career with their academic qualifications, and so they are working for them."

And she attributes this to girls' "constant lack of confidence".

On this reading, the case for single-sex education does not rest on league tables. Instead: "The big argument for single-sex education is that you don't have to conform to gender stereotypes. That's not just in science and maths but in behaviour generally."

North London Collegiate conforms to enough stereotypes to show that it has not lost touch with its traditions. Girls wear uniform until the sixth form, when most of them choose to dress smartly in any case. Many play hockey. Standards of discipline seem high enough to satisfy any parent, and the girls treat teachers – particularly Clanchy herself, just turned 55 and a dominant figure standing around six feet tall – with obvious respect.

But it has shed enough stereotypes to move with the times. The student body is almost as ethnically mixed as its neighbours in the state sector, partly thanks to the government's assisted places scheme for children from low-income families.

Cooking has been dropped in favour of craft, design and technology. Girls are offered the chance to run their own companies as part of the Young Enterprise scheme – "selling each other junk" as Clanchy cheerfully describes it – and this year's most popular A-level subject was maths.

Most North London Collegiate girls seem boisterously self-confident, and obviously expect to take on a challenging career when they graduate. Thus the school's role under Clanchy is, if anything, to challenge stereotypes.

One of these is that maths and sciences are a male preserve, and Clanchy points out: "It used to be that Latin and Greek were the ultimate measure of cleverness. Now that women do much better than men at those subjects, all the attention has shifted to the sciences."

Views like this explain why Clanchy is a popular figure among other girls' school headmistresses – in great part due to her opposition to the introduction of national curriculum tests for 14-year-olds.

In March last year she fired off one of her first shots: "The more we learn about the tests the more insensitive, bureaucratic and absurd they seem. My school, like all the others at the top of the league table, will not be doing them."

To make her point clearer, she then resigned from the National Curriculum Council. This decision, she later told a sympathetic andience at the Girls' Schools Association, had only been taken after several late nights agonising in her kitchen.

In her resignation letter, she told Patten: "The dominant aim has become a curriculum designed for tests, and the result is a model of English teaching which is barren and anti-intellectual. It is almost as if there is a determination on the part of the council to pick a fight with English teachers."

It was as if, she said, "the Highway Code had been narrowed down to instructions on the three-point turn".

Until then, Patten had assumed that objections to testing were restricted to a handful of ideologically motivated teachers' union activists.

Heedless of Clanchy's warning, he chose to hattle on, believing he could beat the teachers in the battle for public opinion. He was wrong.

She treated this with icy disdain. Like many in the educational profession she felt he should have been relieved of his post at least a year earlier than he was, and referred to him as "the Great Unshuffled" – a nickname that was to become very popular in the teaching profession. Shephard would do well to pay her more heed.

NAMES IN THE NEWS

Hans de Gier to get Asian experience

In the past couple of years, Swiss Bank Corporation has become a power in London investment banking and solidified its position in the US with a couple of eye catching acquisitions, writes Ian Rodger.

Now Hans de Gier, one of the SBC directors who has been in the thick of these developments, is off to Singapore to assess how the bank can build up its relatively small business in the fast growing Far East.

Is he being sidelined in favour of his long-time partner, Marcel Ospel, at the top of SBC's international business? Not at all. Promotion comes with the job – to deputy group chief executive, a uniquely elevated position for a non-Swiss (de Gier is Dutch) in a big Swiss bank. "We feel Asia is the most exciting part of the world, and we have to build a meaningful presence there, so we need a commitment at senior level," says de Gier.

But it does not sound as if the bank will be making the kinds of brash move there that it has in London and the US. "I know Asia very superficially. My job will be to listen carefully," de Gier says.

In fact, he has already made waves in the region, poaching most of the equity research staff from W.I. Carr in Tokyo and Hong Kong in 1986 for SBC. "We want to strengthen our product base and distribution and build a quality investment bank," he says.

de Gier, 49, who joined SBC in 1980 along with two other Orion Bank colleagues, is less forthcoming about the career implications of the move. "I am excited about Asia per se. I am not taking it for internal career reasons." But he makes clear that he does not expect to stay forever in the Far East.

Conde accuses establishment

Mario Conde, abruptly dismissed by the Bank of Spain last December as chairman of Banco Español de Crédito, alleges in a book to be launched today that he was the victim of an establishment plot, writes Tom Burns.

Those who lost a lot of money in Conde's former institution, Spain's fourth largest bank, including US backers of a J.P. Morgan fund which invested $175m just over a year ago in a Banesto rights issue, might want to know how it was that Bank of Spain inspectors discovered a $3.5bn over-valuation of the bank's $61bn assets.

But *El Sistema*, which was written at Conde's ranch in southern Spain and aboard his yacht in the Mediterranean, is about dark politics – not shadowy auditing.

Son of a customs official and a clever lawyer turned businessman, Conde was a rank outsider to banking in 1987 when he and a friend sold their pharmaceuticals company Antibioticos for $481m, and then used their proceeds to buy themselves on to the Banesto board.

On becoming chairman weeks later, Conde, aged just 39, fought off a hostile takeover attempt and proceeded to enlarge the bank at breakneck speed, conducting, in the process, a wholesale reorganisation of its widespread industrial assets.

Conde (below) claims he fell foul not just of the network of traditional families who had run Banesto for generations, but of Spain's *sistema*, the establishment, which he found lurking in the Bank of Spain, in the finance ministry and in the influential El Pais newspaper group. "I found out how real power works in Spain and that is what I want to explain," says Conde.

The maverick financier, who says he is an admirer of Silvio Berlusconi, plans a countrywide lecture tour in which he will argue that Spain's *sistema* needs a shake-out similar to the one Italy has undergone.

Conde's self-evident ambitions are unlikely to impress high court magistrates who are currently sifting evidence on his business dealings.

Kidder shrugs off the axe

While the rest of Wall Street waits for the axe to fall at Kidder Peabody, the troubled investment bank has been busy making senior appointments which suggest it is exploring ways to make the business grow, rather than shrink, writes Richard Waters.

Last week, the General Electric subsidiary said it had created a new worldwide business development job for Michael Madden. The move effectively puts the long-time investment banker in line to take over as Kidder's number two next year, when GE hopes to draw back from the direct control it currently exerts.

Madden, 45, was head of Kidder's investment banking for three years until 1989, when he left – apparently over a leadership tussle – for Lehman Brothers. He rejoined Kidder last year, and has now been given the rather grandiose title of head of global origination – making him responsible for drumming up business for the bank from companies looking to raise money in the capital markets.

At the same time, Kidder said it had appointed Norman Liu as managing director in charge of business development. Liu comes across from GE Capital, and part of his job will be to find ways of creating new business between his former employer and Kidder. In the past, the two financial firms have had a stand-off relationship.

Despite these moves, though, rival banks continue to expect significant cost-cutting at Kidder. The revelation earlier this year that previously-reported profits of $350m were fictitious – a fact that Kidder has blamed on former bond trader Joseph Jett – has highlighted the bank's disproportionately large cost base and over-dependence on one area: mortgage-backed bonds.

ARTS

OPENINGS

LONDON COLISEUM

The 1994/5 season opens tonight with a new production of Puccini's "Tosca". Rosalind Plowright (left) returns to the London Coliseum for the title-role and the conductor is Alexander Gibson. Whatever else he may do, the producer Keith Warner is unlikely to set this "Tosca" in fascist Italy, like its predecessor.

WARSAW

The Warsaw Autumn contemporary music festival, opening on Thursday, offers tributes to three recently deceased Polish composers - Witold Lutoslawski (left), Andrzej Panufnik and Roman Haubenstock-Ramati. Founded in 1956, the festival has emerged from the vicissitudes of the past decade with renewed vigour and a broader international outlook. Bright Sheng and Magnus Lindberg are among this year'e foreign composers, and the line-up of performers includes Anne-Sophie Mutter.

LYON

The prestigious Dance Biennale starts tomorrow with the theme of "Mama Africa". The Dance Theatre of Harlem, The Alvin Ailey Company, and other dance troupes will be on view in a two week spree.

LYRIC THEATRE, LONDON

Neil Bartlett, known for his theatrical use of camp, launches his new regime as artistic director of the Lyric Theatre, Hammersmith with a new staging of The Picture of Dorian Gray. The cast includes Benedick Bates (left), son of Alan Bates.

GENEVA

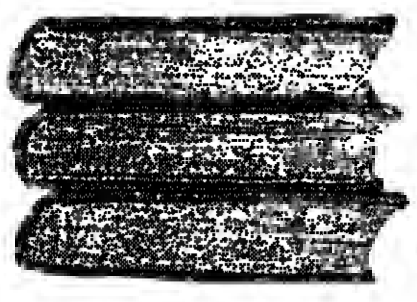
Hugues Gall's final season as director of the Grand Theatre opens tonight with e new production of Mozart's "Idomeneo", staged by Christopher Alden and conducted by Armin Jordan. Gall's enlightened policies have enhanced Geneva's operatic reputation over the past 14 years. He now faces a much bigger challenge as he prepares to move to the Paris Opera , where the Chung affair has given him a taste of battles to come.

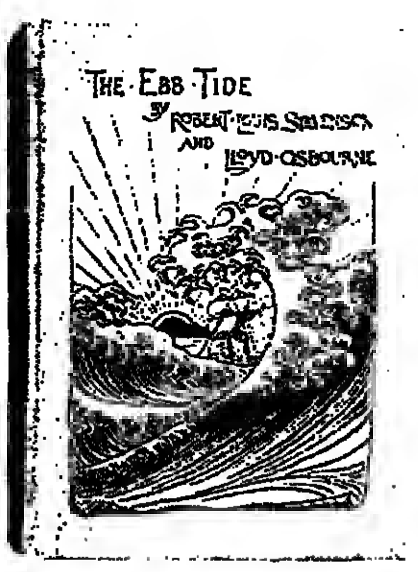
MADRID

The Fundacio la Caixa marks the 50th anniversary of the deaths of Kandinsky and Mondrian with an exhibition at its Sala de Exposiciones, opening on Friday. Entitled "Two roads towards abstraction", the show aims to illustrate the parallels and differences in the stylistic evolution of two pioneers of modern art. It includes loans from public and private collections around the world, and will move to Barcelona in November.

Literature turns over an old leaf

Jackie Wullschlager looks at changing attitudes to the novel





It is a sensational shortlist: a bestseller about love and hypnotism, a blockbuster about battles and brides in Ruritania, and a pornographic shocker about teenage sex and baby murder so explicit that only an obscure Newcastle publisher would risk printing it. Out are the *eminences gris* of Victorian letters – novels by Thomas Hardy and Mrs Humphry Ward, who advised Gladstone and Roosevelt, didn't make the grade.

This week the shortlist for the hypothetical 1894 Booker Prize will be announced by six judges, including biographer Victoria Glendinning and broadcaster Melvyn Bragg. They have avoided dull and worthy classics and chosen six books which stirred the *fin de siècle* world and remain compelling today: George du Maurier's *Trilby*, Anthony Hope's *The Prisoner of Zenda*, George Moore's *Esther Waters*, Kipling's *Jungle Book*, George Gissing's *In the Year of Jubilee* and RL Stevenson's *The Ebb Tide*. The winner will be revealed on October 15 (four days after the 1994 Booker Prize ceremony) at the Cheltenham Festival of Literature.

Like today'e Booker Prize, it is a publishing gimmick; Everyman, which is backing the spoof award, is a significant publisher of classic Victorian novels. But the retrospective Booker is also a fascinating exercise in historical reconstruction. It raises questions about how the relationship between literature and society has changed in the past 100 years.

First, tbe similarities. A good yarn is a good yarn. Of the 1894 books, *Trilby* is the tale of a tone-deaf model who sings like an angel when mesmerised by the sinister hypnotist Svengall, then croaks like a crow when he dies during one of her concerts. *The Prisoner of Zenda* tells of an Englishman impersonating the King of Ruritania and rescuing him from demons. On the 1994 list Romesh Guneskera's *Reef* is about a Sri Lankan servant boy and his mysterious master, while Jill Paton Walsh's *Knowledge of Angels* re-enacts the wolf-child legend. All the books on both lists are gripping stories.

The lists share key themes. Both, for instance, have books about colonial exploitation – Stevenson's *The Ebb Tide* and Abdulrazak Gurnah's *Paradise*, which is set in the First World War in German East Africa. Both provoke in similar ways.

The controversial books of 1894 were *Trilby*, with its louche vie boheme milieu, and *Esther Waters*, in which a 17-year-old girl is seduced, impregnated andoffered the services of a professional baby killer for a fiver. It is now seen as Moore's best work, but in 1894 it had problems finding a publisher and the powerful circulating libraries refused to take it.

A century on, the relationship between fictioo and sexual morality remains vexed. Last week, a *Times* critic complained about the inclusion of Alan Hollinghurst's candid novel of homosexual love, *The Folding Star*, on the Booker list, because it offended Judaeo-Christian ethics.

But even if Hollinghurst wins tbe Booker, his novel will not become the *succes de scandale* of *Esther Waters* and *Trilby*, which became the bestselling novel of the 19th century. For the great difference between then and now is thet in 1894 a Booker Prize was not needed to sell fiction.

Today, we accept the gap between literary writing, such as Hollinghurst's, and popular bestsellers by writers like Jeffrey Archer and Barbara Cartland. This is the gap the Booker tries to bridge by giving high-level publicity to works whicb would not normally reach a mass audience. The trick works – last year's winner, Roddy Doyle's *Paddy Clarke Ha Ha Ha* sold 360,000 hardback copies. Before the short-list was announced it sold 10,600.

The Victorians, in contrast, were lovers of contemporary fiction. Novels accounted for 20 per cent of published books, and no distinction was made between high and low art. In the mid 19th century, Dickens made £12,000 for *Little Dorrit*, the equivalent of nearly £400,000 today. Between 1861 and 1894, when the population of the UK was half that of today and the literate population smaller still, Mrs Henry Wood's *East Lynne* sold 400,000 copies. All the 1894 Booker writers were popular names; they were also serious, skillful writers whose books can be reread witb pleasure 100 years later.

Why was fiction so much closer to the public heart in 1894? Social, cultural and psychological reasons play a part. Socially, the 1890s reading public was a vastly more homogenous group than today: a small number of middle class authors wrote for a middle class audience at a time when to be literate was to belong to an elite. The idea of a two-tier, up and down-market, fiction was irrelevant. Culturally, these writers and readers were certain of their place in the mainstream, and the novel was their political and intellectual forum.

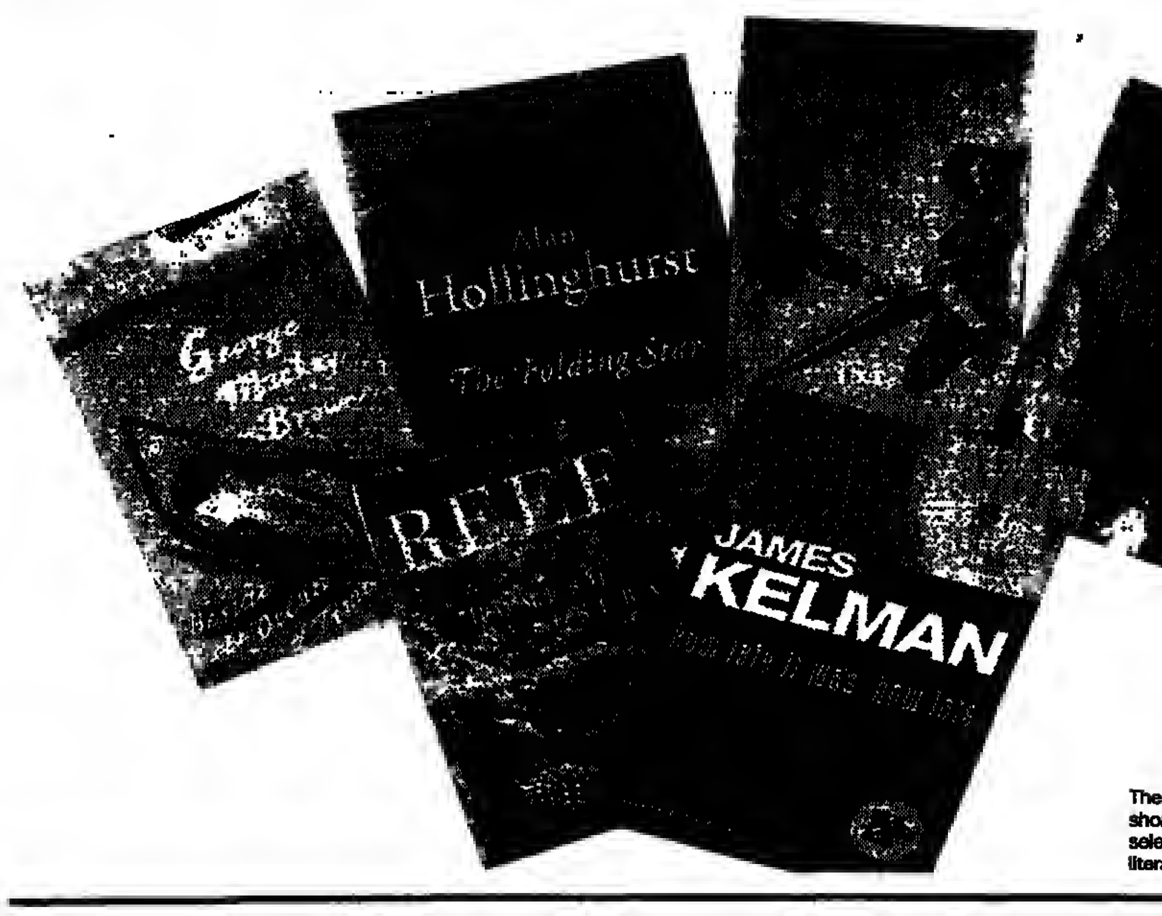
Today we no longer share the Victorian confidence in the novel as a key genre of our age. Modernism and the overturning of the traditional form by Joyce and Woolf weakened 20th-century belief in the novel and encouraged the divergence between highbrow and lowbrow. The dominance of film and television has made novels a more marginal form and perhaps they no longer attract the most creative talents. George du Maurier originally offered the outline of *Trilby* to Henry James, who he thought would write a better novel. Today du Maurier would have sold it to Hollywood or the BBC.

The fantasy element of fiction, in which we identify with characters as if we know them, was answered in the 19th century hy the novel; in the 20th century we have TV soaps. Just as the tabloid newspapers feature characters from *EastEnders*, so when Dickens' *The Old Curiosity Shop* was running as a serial there was widespread press speculation on wbether Little Nell would die, and readers wrote in begging for her to be saved. Sentimentality, accessibility, topicality – what characterises today's soaps were clear features of the novel in 1894. Both *In the Year of Jubilee* and *Esther Waters*, for example, centre on the burning 1890s debate about marriage, feminism and tbe "New Woman", yet both are also tearjerkers which everyone enjoyed.

The 1894 books are compelling becanse they prefigure our own times and yet are set back from them. *Trilby* is a tale of hypnotism and the unconscious a decade away from Freud; *The Ebb Tide* paved the way for Conrad's *Heart of Darkness* and the first questioning of colonial oppression.

It is unlikely that the 1994 Booker choices will speak as eloquently of new trends today. Whereas the 1894 titles had contemporary settings, many of the 1994 books are historical (such as *Paradise*) or are driven by nostalgia (sucb as *Beside the Ocean of Time*). Which book will win on October 15? Stevenson will get the sympathy vote because be died in 1894 in Samoa, the setting of *The Ebb Tide*. *Jungle Book* will get the retrospective vote, because it is the best-known today and has fashionable mythic overtones in the lost paradise of Mowgli's jungle; its position on the list may also rescue it from schmaltzy Disney associations and confirm it as a serious novel about a young man's self-discovery.

My vote goes to *Trilby*. Soft-focus, ideologically shaky – in its anti-Semitic portrait of Svengali – and sometimes sloppy, it is a story of demonic possession and haunts the imagination like a fairy tale long after better-written works have faded from memory. Like *Rebecca*, the popular novel by du Maurier's granddaugbter, it is a natural equivalent of what tbe current Booker Prize seeks to create: a combination of the classic and the bestseller.



Then (above) the 1894 "Booker short-list" and (left) now, novels selected for the finals of the 1994 literary award

The Proms

Terfel rules on the last night

The Proms are an equal-opportunities employer. In a splendid break with tradition, the solo singer invited to deliver the classic anthem for the Last Night of this hundredth Prom year was not a woman, but a man. And not just any male opera singer, but the marvellous Bryn Terfel. Music is not the main point of the Last Night, and the excited Prom audience had been loud with coughs and popping balloons through the opening Bach and Vaughan Williams items – but from the moment Terfel began his first solo in Walton's *Belshazzar's Feast* he commanded husbed attention from the entire Albert Hall. His diction alone is compelling; and then there is the vibrant firmness of his bass-baritone voice, even finer wben singing quietly than in full volume; plus the fact that you never see, or hear, him breathe. All this had the Prommers in thrall; Terfel tamed the beast.

For *Rule, Britannia!*, he returned in Welsh rugby fan uniform. Within this mighty young lion, there is an impish boy; just as within his rhetorical sternness there is a contemplative lyricist, and within his life-giving openness there is a brooding darkness. All these contrasts make him fascinating.

The conductor, Andrew Davis, handled tbis loaded occasion – including his speecb – with a perfect blend of concentration, bumour, and panache. There is a sense of conspiracy for these events that makes the standing Prommers, with their chanted messages, part of a special community with the BBC Symphony Orchestra, the BBC Singers, and the BBC Symphony Chorus. That everyone playing tbe music well matters not quite so much as the way everyone joins in the unison ritual sways and bounces. Still, I must record that two other soloists deservedly won the Prommers' cheers and respect: Evelyn Glennie, the ebullient soloist in Paul Creston's Concertino for Marimba, and Michael Davis (the BBCSO's leader) whose solo violin led the famous Meditation from Massenet's *Thais*.

Flags of all nations were waved; and "Care For the World" T-shirts were worn as well as boaters, helmets, and Union Jack bowlers. This year's chutzpah prize must go to tbe group wbo waved – during "Rule Britannia", can you believe? – a banner reading "Schleswig-Holstein Musik Festival". But the musicality prize goes to the standee who held a beart-shaped balloon aloft during the *Thais* Meditation. During the final phrase, exactly as the solo violin took another ascent into the empyrean, he let his balloon rise another yard towards the dome above.

Alastair Macaulay

INTERNATIONAL ARTS GUIDE

■ BERLIN

OPERA/DANCE

Komische Oper The main event this week is the premiere on Fri of a new production of Berthold Goldschmidt's Der gewaltiga Hahnrel, staged by Harry Kupfer and conducted by Yakov Kreizberg (repeated Sep 18, Oct 7, 14, Nov 13). Repertory also includes Coppelia, Le nozze di Figaro and Les Contes d'Hoffmann (229 2555)

Deutsche Oper Christa Ludwig bids farewell to the Berlin stage tomorrow with a song recital accompanied by Charles Spencer. Aribert Reimann'e 1992 Kafka opera Das Schloss can be seen on Thurs and Sun, and Julia Varady stars in Un ballo in maschera on Sat (341 0249)

Staatsoper unter den Linden Rudolf Nureyev's production of Glazunov's ballet Raymonda can be seen on Sep 17, 22, 23, 27 and 29. A new production of Rossini's Tancredi opens on Sep 25 (200 4762/2035 4494)

Hebbel-Theater The Staatsoper presents Florian Leopold Gassmann's L'opera seria tomorrow, Fri and Sun, in a production from the Schwetzingen Festival conducted by René Jacobs and staged by Jean-Louis Martinoty. The cast is headed by Renato Capecchi, Robert Gambill, Jeffrey Francis and Janet Williams (200 4762/2035 4494)

CONCERTS

Philharmonie Tonight: Vladimir Ashkenazy conducts Berlin Radio Symphony Orchestra in works by Berthold Goldschmidt and Mahler. Tonight (Kammermusiksaal): Radu Lupu piano recital. Wed, Thurs: Pierre Boulez conducts Berlin Philharmonic Orchestra in Webern and Debussy. Fri: Heinz Holliger conducts Ensemble Modern in Holliger's Scardanelli cycle. Sat: Michael Gielen conducts South West German Radio Orchestra and Berlin Radio Chorus in Beethoven's Ninth Symphony. Sun afternoon: Anatol Ugorski piano recital. Next Mon: Maurizio Pollini (2548 8132)

Schauspielhaus Tomorrow: Michael Schoenwandt conducts Berlin Symphony Orchestra in works by Webern, Schubert/Liszt and Berlioz. Wed, Thurs: Fabio Luisi conducts Berlin Staatskapelle in a Mahler programme, with tenor soloist Peter Schreier. Sat, Sun, next Mon: Emmanuel Krivine conducts Berlin Symphony Orchestra in Brahms and Musorgsky/Ravel, with piano soloist Gerhard Oppitz (2090 2156)

■ NEW YORK

THEATRE

● Philadelphia, Here I Come!: the first Broadway staging since 1966 of Brian Friel's drama about the rocky relationship between father and son in rural Ireland. Milo O'Shea is the father, and two actors play the son about to head for America: Robert Sean Leonard is Gareth in private, and Jim True is Gareth in public. Directed by Joe Dowling. Just opened (Roundabout, 1530 Broadway at 45th St, 869 8400)

● Angels in America: Tony Kushner'e two-part epic conjures e vision of America at the edge of disaster. Part one is Millenium Approaches, part two Perestroika, played on separate evenings. The cast includes F. Murray Abraham (Walter Kerr, 219 West 48th St, 239 6200)

● Three Tall Women: a moving, poetic play by Edward Albee, dominated by the huge, heroic performance of Myra Carter. She, Jordan Baker and the droll and delightful Marian Seldes represent three generations of women trying to sort out their pasts (Promenade, 2162 Broadway at 76th St, 239 6200)

● An Inspector Calls: Stephen Daldry's stunning re-interpretation of J.B. Priestley'a psychological thriller, in a production first staged at tha National Theatre in London. Winner of four 1994 Tony awards (Royale, 242 West 45th St, 239 6200)

● Carousel: Nicholas Hytner's bold, beautiful production launches Rodgers and Hammerstein towards the 21st century (Vivian Beaumont, Lincoln Center, 239 6200)

● Kiss of the Spider Woman: pop star and ex-Miss America Vanessa Williams has taken over Chita Rivera's starring role in the long-running Kander and Ebb musical directed by Harold Prince (Broadhurst, 235 West 44th St, 239 6200)

● Tommy: The Who's angry rock-opera about alienation and rebellion has been adapted by one of its original creators, Pete Townshend, and treated to a slick, cinematic staging by Des McAnuff (St James, 246 West 44th St, 239 6200)

● Guys and Dolls: e top-notch revival of the 1950 musical about the gangsters, gamblers and good-time girls around Times Square (Martin Beck, 302 West 45th St, 239 6200)

● Stomp: a loud, aggressive and energetic show in which e troupe of performers dance, clap and generally bang on everything in sight. Far more engaging than you might expect (Orpheum, 126 Second Avenue, 307 4100)

● Blood Brothers: Willy Russell's musical about twins who, separated at birth, eventually meet and fall in love with the same girl. The show has been running on Broadway for 18 months, but the recent addition of singer Carole King has provided a little heat to the box office (Music Box, 239 West 45th St, 239 6200)

● Crazy for You: Gershwin's tunes and Susan Stroman'a choreography are the central pleasures of this light and frothy musical, now in its third year on Broadway (Shubert, 225 West 44th St, 239 6200)

OPERA/DANCE

State Theater New York City Opera'e autumn season has just opened with a new production of Borodin's Prince Igor, with a Russian cast conducted by Guido Ajmone-Marsan and choreographed by Damian Woetzel of New York City Ballet. Repertory also includes Carmen, Madama Butterfly, Tosca, Delibes' Lakmé. This week's performances are daily except tonight and Wed (870 5570)

Metropolitan Opera The opening night gala on Sep 26 features Placido Domingo in Puccini'e Il Tabarro and Luciano Pavarotti in Leoncavallo'a I Pagliacci, conducted by James Levine. Teresa Stratas and Juan Pons sing in both operas. The first new production la Shostakovich'a Lady Macbeth of Mtsensk, opening Nov 10 (362 6000)

CONCERTS

Avery Fieher Hall The New York Philharmonic starts its 1994-5 season on Sep 21. The orchestra's music director, Kurt Masur, conducts the first three weeks of concerts (875 5030)

Carnegie Hall Tha Academy of St Martin in the Fields, with mezzo Cecilie Bartoli, opens the new season on Sep 29 (247 7800)

■ PARIS

OPERA

● The start of tha 1994-5 season at the Bastilla will go ahead as planned next Mon with the premiere of a new production of Simon Boccanegra, conducted by Myung-Whun Chung and staged by Nicolas Brieger, with Vladimir Chernov in the title role. Under last week's agreement ending Chung's dispute with the Opéra, this will be his final production as music director. There will be 10 performances of Simon Boccanegra, running till Oct 14. Bob Wilson's version of Madama Butterfly is revived on Sep 29 (4473 1300).

● The new Ring production at the Châtelet continues with Siegfried on Oct 14 and Götterdämmerung on Oct 16. There will be two complete Ring cycles between Oct 31 and Nov 13 (4028 2840)

DANCE

● One of France's leading young choreographers, Philippe Decouflé, is in residence with his troupe et Théâtre de la Ville for the next two weeks (4274 2277)

● The Paris Opéra Ballet's 1994-5 season takes place mainly at the Opéra Bastille. It opens on Oct 25 with the traditional Grand Défilé, followed by Balanchine'a Le Palais de cristal (Symphony in C) to Bizet, The Four Temperaments to Hindemith and Jerome Robbina' Glass Pieces to Glass (12 performances till Nov 17). Tha season also includes a young dancers programme, Nureyev's production of Swan Lake, a triple bill including works by Balanchine and Martha Graham, John Neumeier's Magnificat and a Nijinska-Nijinsky programma (4742 5371)

CONCERTS

Semyon Bychkov conducts the Orchestre de Paris in the opening concerts of the season at Salle Pleyel on Wed and Thurs. The orchestra spends the rest of the month on tour in Austria (4561 0630)

FESTIVAL D'AUTOMNE

This year's highlights includa Peter Stein's Moscow staging of tha Oresteia (Oct 9-15), a Bob Wilson adaptation of Dostoyevsky (Oct 11-23), Robert Lepage's Seven Streams of the River Ota (Nov 18-26), and Tha Merchant of Venice directed by Peter Sellars (Dec 6-17). The dance programme includes tha Trisha Brown Dance Company (Nov 3-12), and there is a special focus on the music of György Kurtag (Festival d'Automna à Paris, 156 rue de Rivoli, 75001 Paris. Tal 4296 1227 Fax 4015 9288)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Chennat: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Samuel Brittan

English culture not yet vindicated

The role of late Victorian English culture in the relative decline of the British economy continues to excite scholarly controversy. It was in the years around the turn of the century that key features of the English upper-middle class assumed their familiar mould: education for an imperial role in spartan boarding schools, which emphasised classics and neglected science; the aspiration of business leaders to the lifestyle of country gentlemen; preoccupation with distant overseas investment rather than domestic business; the exaggerated differentiation of male and female roles; and the suppression of feeling in the famous stiff upper lip.

Analysis of English relative economic decline in these terms received a new lease of life in a book by the American historian, Martin Wiener, in *English Culture and the Decline of the Industrial Spirit, 1850-1980* (published in 1981 and republished by Penguin). His thesis about how crippling the dislike for the capitalist ethos was to economic development is not, of course, novel. The economist Alfred Marshall observed in 1903: "By the 1860s and 1870s, many of the sons of manufacturers were content to follow mechanically the lead given by their fathers. They worked shorter hours; and they exerted themselves less to obtain new practical ideas."

What distinguished Wiener was the verve of his writing and its wealth of detail. An aspect on which he shed new light was the English rural affectation. Between the wars not only the Conservative leader, Stanley Baldwin, but also the Labour leader, Ramsay MacDonald, made great play of being countrymen at heart. The historian J.H. Plumb remarked: "The dream of an Elysian England of patriarchs, well-fed peasants, contented, if illiterate craftsmen, and compassionate, profit-sharing landlords has haunted English radicalism." I have myself been told that the countryside was only real when the majority of the population were involved in country pursuits – making me think, not very guiltily, of pleasant afternoons spent sipping Pimms in the west country, or drinking Glühwein looking at the Alps.

A counter-attack was launched by an Australian historian, W.D. Rubinstein, in *Capitalism, Culture and Decline in Britain, 1750-1990* (Routledge, 1993). Rubinstein's argument is that there is nothing that needs explaining in Britain's economic record and that the cultural attitudes highlighted by Wiener were not a source of weakness.

He does seize on a genuine fault in Wiener's identification of economic development with industry. The latter always accounted for less than 50 per cent of British employment, as I guess it would of other industrial countries such as the US and Germany; and it was a mistake to emphasise complaints about the decline of manufacturing, which is worldwide. But if "business" is substituted for "industry" in Wiener's book, 90 per cent of his argument remains unaffected.

Rubinstein maintains:

- that British living standards have risen remarkably in the past few decades, even while commentators have bemoaned British economic performance, and that ownership of specified consumer durables compares quite favourably with, for example, the US or France;
- only a small proportion of pupils at the great public schools came from a business background in the 19th century, and among these there was no drift to other careers;
- English culture was no more anti-business than Continental or even American culture. He can call in aid the entrenched anti-capitalism of postwar German novelists and the automatic Marxism of the French intellectual elite until a decade or two ago – although it is rather less convincing to bring in American writers from Twain to Henry James;
- more tangibly, that concentration on financial and overseas activities was a rational and successful allocation of talent and capital in the late 19th and early 20th centuries.

Despite the rave notices of reviewers, who only examine one book at a time, Rubinstein is not ultimately convincing. Of course the British, like most other western peoples, "never had it so good" in the postwar decades. But the best available indices of consumption per head show that most European countries have overtaken Britain; and the gap is increased if account is taken of longer British working hours. But the gap has stopped widening since the advent of the 1979 Thatcher government.

Rubinstein's own researches on public schools are inconclusive. The business classes entered these schools in much greater numbers in the 20th century and were present even in the 19th in lesser public schools, for which there are no data. The point is not that these schools triggered a drift out of business, but the somewhat distant managerial style which their products assumed – people who affected to talk like Harold Macmillan and saw foreign exchange as a matter for "Jews and Armenians".

The cultural comparisons encourage a wallow among favourite authors. But in my subjective view, Rubinstein does not in the end score. Of course German scholars excelled at classics as well as chemistry. But they were also better at both.

The point about relative returns in British industry compared with financial activities or overseas investment seems more tangible, but only seems. Even if these domestic returns appeared low, they were not given by ineluctable natural forces but reflected the quality of entrepreneurship and professional skills which were applied to them.

The historical controversy is now itself history. But let us not romanticise the pseudo-aristocratic culture which was not all that nice to those that got on the wrong side of it.

Three years ago, Austrade, Australia's main trade promotion organisation, had 18 offices in Asia. Today, it has 30.

The increase speaks volumes for the effort Australian politicians and industrial representatives are putting into expanding links with the region. Last week alone, a delegation of 50 landed in Beijing to promote wool products; in Tokyo, Mr Paul Keating, Australian prime minister, lauded the benefits of an Asian free trade area to his Japanese counterpart; while back home, a drive to boost exports of services was launched.

Australia's attempts to build economic links with Asia are usually traced to the early 1970s, and were in part a response to the decision by Britain, Australia's traditional trading partner, to throw its lot in with Europe. But these efforts have accelerated in recent years – and, in broad terms, are producing results.

As politicians enthusiastically note, more than 60 per cent of Australia's exports of goods now go to Asia, compared with 26 per cent in 1960. By contrast, exports to western Europe (including the UK) accounted for only 13 per cent of last year's total, against 46 per cent three decades ago.

The annual rate at which this Asian business is expanding is also impressive, although export growth has slackened from the double-digit percentage increases of the late 1980s. Australia's total trade with Asia advanced by almost 12 per cent last year, to nearly A$67bn (£32bn). Exports were up by about 9 per cent, meaning that an additional A$3.2bn worth of goods were sold. Imports rose by 14 per cent.

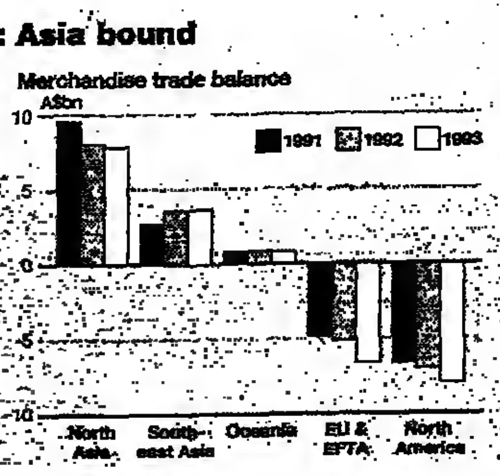
But the need to do even better is paramount. For years, Australia has had a structural problem with its current account, running deficits and then partially funding these with foreign capital inflows. In the 1970s, the trend was for the current account deficit to represent an increasing proportion of gross domestic product. From 1982 onwards, the position stabilised at 4 to 5 per cent of GDP, but did not improve. By the end of 1993, net foreign debt stood at about 43 per cent of GDP.

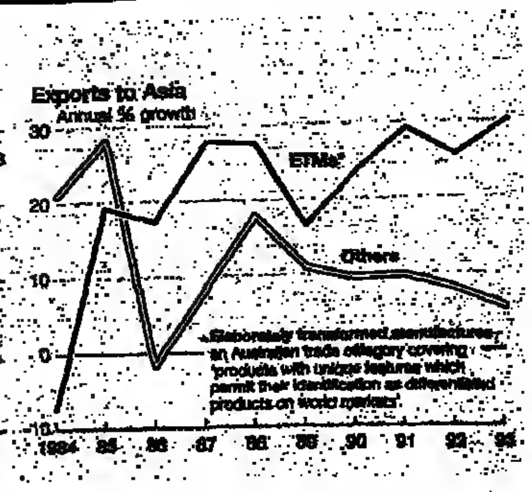
The current concern is that a strong upturn in the domestic economy will spell problems for Australia's trade balance. In the upswing of a business cycle, Australia's imports tend to rise faster than exports, partly because of the need for foreign-made plant and equipment, so worsening the current account deficit. The combination of rising imports and a falling dollar contributes to higher inflation. In response, interest rates have to be raised. In short: boom and bust.

Australian trade: Asia bound

Total bilateral trade

1993		A$bn
1	Japan	27.50
2	US	18.25
3	New Zealand	6.72
4	UK	6.40
5	S.Korea	6.22
6	China	6.21
7	Taiwan	5.06
8	Singapore	4.87
9	Germany	4.65
10	Hong Kong	3.48





*Elaborately transformed manufactures: an Australian trade category covering 'products with unique features which permit their identification as differentiated products on world markets'

To catch an Asian tiger

Nikki Tait asks whether Australia has found the right strategy to exploit new markets

A substantially improved export performance would help remedy the situation. As Mr Bernie Fraser, governor of the Reserve Bank of Australia, has put it: "The best way for Australia to grow faster and escape the external constraints of large current account deficits and rising foreign debt is through increased exports." Asia, with its high-growth economies and relative proximity, is the obvious target.

If the argument for pursuing Asian trade is compelling, realising this objective is complicated for several reasons.

First, Australia has traditionally acted as Asia's "farm and quarry". Raw materials and unprocessed agricultural produce – primary products – accounted for 55 per cent of total Australian exports to Asia last year. The biggest categories were coal, gold, iron ore, aluminium, beef, wool, crude oil and natural gas.

Continuing to rely on these exports means being hostage to volatile price cycles, while growth in demand is relatively slow. Moreover, the vicissitudes of nature can intervene: at present there are concerns about the trade implications of a severe drought in key east-coast agricultural areas.

So the focus of the government's export drive falls on "elaborately transformed manufactures" or ETMs – a trade department category which covers "products with unique features which permit their identification as differentiated products on world markets" (that is, skim milk powder does not count, while branded Macadamia nut chocolates do.)

ETM exports have been growing more quickly than exports overall, and now account for about 14 per cent of total sales to Asia. But trade officials admit it can be difficult to make inroads: "I think we, and everyone else, find [the Japanese market] quite hard work," says Mr Ralph Evans, head of Austrade.

Second, the mix of export destinations looks slightly less healthy when examined in detail. Japan dominates the picture, accounting for 25 per cent of Australia's total exports, and about 40 per cent of those going to Asia.

'I think we, and everyone else, find the Japanese market quite hard work'

Here, the main exports are beef, coal and iron ore. Orders and prices for the latter two have been adversely affected by the Japanese recession and its effect on the steel and power industries.

Sales to the China/Hong Kong region, however, are more encouraging. They rose by more than one-fifth in 1993, and the balance of ETMs to primary products is significantly better. Mr Evans, says this is one of the most important areas for exporters in the next few years, along with Indonesia, Australia's nearest neighbour.

A third problem for the export drive into Asia is the level of trade barriers in the region and Australia's limited clout in combating them, given its small domestic market and different cultural history.

The six countries of the Association of South East Asian Nations, which now have a regional free trade agreement aimed at lowering barriers to intra-Asian trade, are themselves forging links with bigger economies to their north, such as China. It is not clear what advantage, if any, they would see in admitting Australia to their ranks. At a transport conference in Darwin last week, a Malaysian trade consultant made the point bluntly: "Many people in Asia will need to be convinced that it in is their interests that Australia becomes part of Asia."

Australia has responded partly by lobbying within the Asia-Pacific Economic Co-operation forum, a loose grouping of some Australasian, Asian and North and South American countries. Much play was made in Australia of an internally generated Apec report for leaders of member states, which called for complete trade liberalisation in the region by the year 2020.

But for some companies seeking to export to the region, this – and the latest Gatt agreement – are all-too distant promises. "There's a lot of talk, and I know the Australian government is putting on a lot of pressure, but these countries are not moving [on trade barriers]," says Mr Peter Horeaens, director of Asian operations at Kellogg Australia, the US-based cereal manufacturer. Tariffs on cereal-based products, for example, range up to 60 per cent in Thailand and more than 100 per cent in Pakistan, he says.

Fourth, Australia's ability to aid would-be exporters is more limited than that of some competitors chasing the same business in Asia – a function of the country's size. "Compared to Group of Seven nations, we don't have such deep pockets when it comes to export credit guarantee financing and the like," says Mr Evans of Austrade.

Finally, and perhaps most controversially, there is a price to be paid for putting trade and Asian relations so high on the agenda. Australia is by no means the only country negotiating the culture clash between western values and those of Asian countries. But if this is a tough problem for a large country with well-defined beliefs like the US, it is every bit as problematic for a country with a small economy which is still trying to establish its own national identity. Trade talks with Indonesian representatives invariably incite demonstrations over the East Timor situation, for example; ministerial visits to China rekindle human rights concerns; and so on.

Asian trade is a path which Australia has little option but to tread – and it is doing so with impressive determination. But steering a route round the potholes will remain a substantial task.

LETTERS TO THE EDITOR

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Inheritance of Irish regiment

From Mr R Malachi O'Loughlin.

Sir, Bruce Clark ("Security issue fraught with danger", September 5), did not paint the full picture in describing the role and history of the Royal Irish Regiment.

The regiment was formed, out of "Options for Change" by an amalgamation of the Royal Irish Rangers and the Ulster Defence Regiment, the former being a conventional line infantry regiment, the latter being deployed in Northern Ireland.

It has long been a tradition of the Royal Irish Rangers, inherited from their predecessors, the Irish Regiments, to recruit from both Northern Ireland and the republic with no religious discrimination, as can be seen from the number of Catholic commanding officers they have had: this attitude is already spreading within the whole recently constituted regiment.

There is now a service battalion which takes its place in the line as a regular army unit, currently deployed in the eastern Mediterranean, and six home battalions in Northern Ireland.

I feel that, by trying to simplify matters, Clark might have unwittingly traduced one example of real integration.

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East/west factor key to German economy

From Dr Holger Schmieding.

Sir, It is reassuring to read that the FT has become more upbeat on Germany's economic prospects ("German facelift", September 9). Nonetheless, your notion of growth through exports may need a qualification. While it is true that west German exports were indeed up nicely in the first half of 1994, imports had grown even faster. Net exports made no contribution at all to the west German recovery this year. Instead, the only significant forces lifting west German real gross domestic product above its end-1993 level have been housing construction and stock-building. Had housing construction remained flat in the first quarter, GDP in the period would have fallen by 0.2 per cent instead of rising 0.5 per cent; had companies not piled up inventories in the second quarter, real GDP would have gone down 0.1 per cent instead of surging 1 per cent.

Housing construction and stock-building are transitory. Apart from unusually good weather, the house-building frenzy is fuelled by the expiry of a tax break at the end of this year; companies will not want to pile up inventories for ever. These two forces of growth should thus moderate a lot in 1995.

There is one little understood aspect of west German exports and growth. For the national accounts statistics, west German exports include trade with east Germany. In the early 1990s, west Germany enjoyed a big growth push when, after German monetary union at a ludicrous conversion rate, west German suppliers wiped east German producers off the east German market. In coming years, this process will be reversed.

The heavily subsidised investments in east Germany are finally paying off. The new east German producers have started to (re-) gain the home market and establish a foothold in the west. West German net exports to east Germany could start to fall soon. While the surge in such exports provided a strong second wind to the west German upswing in the early 1990s, their imminent fall should ensure that the west German upswing will be more modest than one may have expected by just looking at earlier upswings.

Although private consumption should soon recover from its 1 per cent slump in the second quarter and machinery investment should edge up nicely, there is thus no risk that the upswing may get close to overheating territory any time in the foreseeable future. A modest non-inflationary upswing, which helps to do away with the big public sector deficit, should be the best possible news for markets and the Bundesbank.

Holger Schmieding,
senior economist,
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Frankfurt/Main,
Germany

Virus test decision should be explained

From Dr Harold W D Hughes.

Sir, Your editorial "Open science" (September 8) was exactly on target. This society, which has worked for more than 26 years to preserve Britain's native butterflies, moths and their habitats, was very concerned indeed to learn of tests of a genetically engineered virus near Oxford.

The virus was known to be lethal to a large proportion of the UK butterfly and moth species on which it had been previously tested in the laboratory, although the commercial aim of the new field tests, we understand, is to develop sprays to combat insect attack on crops in, mainly, developing countries. The test site was just 100m from Wytham Wood, one of the richest sites for lepidoptera in the whole of the UK, including now-rare species.

We raised formal objections when we first heard about these tests, which are only notified to the public by advertisements in local newspapers. We were therefore concerned to hear that, on the advice of the ACRE Committee, the secretary of state for the environment, John Gummer, had authorised the tests. In the following weeks we have made vigorous efforts to find out from him the basis of the trials, what consideration the ACRE Committee gave to our and others' objections, and what practical steps were insisted upon to guard against escape of the virus and where the responsibility lies for monitoring these precautions.

We have received two letters which really do not go any way to answer our questions. It is high time, as you say, that the deliberations and bases of decision of such committees were in the public domain. We are forced to be suspicious that the committee gave inadequate consideration to the risks and the objections; if this is not the case, why is there so much obfuscation of their processes of decision.

Harold W D Hughes,
chairman,
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Not defending a high-cost Logitech operation

From Mr Giacomo Marini.

Sir, Ian Rodger, in his article about Logitech, "Almost caught in a mouse trap" (August 22), states: "With the factories in Taiwan and Ireland running well and a new China venture in the works, the high-cost California factory could be shut down. Marini, who was responsible for US operations, resigned in protest, but profitability was restored . . ."

From the tone and the context of the sentence, it may appear that I was defending a high-cost and unprofitable operation, thus damaging the best interest of Logitech.

In 1992, I was executive vice-president and chief operating officer and my responsibilities included *all* Logitech factories worldwide, including Taiwan, Ireland, China and California. Each of them had a vice-president or general manager reporting, directly or indirectly, to me.

I had no more vested interest in the California plant than in any of the other plants. The manufacturing strategy at the time called for different roles for the plants. The California plant was used primarily for new product introductions, being close to the main design centre. I had managed the transition of products to lower cost plants in a systematic and orderly way. As the pressure on costs was increasing, I had a very specific plan of accelerating the transfer of products to lower-cost plants.

The California factory was *not* shut down in 1992 and it is still in operation today. It continued to operate with about the same number of employees after I left and until the first quarter of 1994. Only recently has the headcount been reduced.

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Monday September 12 1994

Germans on a slippery slope

Why is it that the richest country in Europe has suddenly fallen victim to lottery fever? The odds against winning are 140m to one. Yet the Germans have become obsessed to the point of frenzy with their lottery. Enthusiasm has risen in tandem with the prize money, which multiplies in each successive week that the jackpot *fails* to attract a winner. So contagious is the disease that border crossing points have reportedly been jammed, as Austrian and Dutch hopefuls have *flooded* in to join the domestic punters.

This behaviour seems at odds with the common perception of the Germans. Such hard-working folk should surely frown on an intellectually undemanding form of money making which is distinguished by a near-total divorce between effort and reward. And while the phenomenon will cheer the organisers of the forthcoming British national lottery, it can only give a headache to academic theorists who seek to rationalise the behaviour of gamblers.

The fund-raising side of lottery economics poses few explanatory problems. There is a clear correlation between lottery activity and government deficits. In the days when church hostility to the payment of interest was reflected in tough laws against usury, lotteries, like tontines and annuities, constituted a politically correct form of state funding.

The museums of the Vatican were financed by lotteries. Benjamin Franklin paid for canons for the city of Philadelphia in the same fashion. London owed its 17th-century water supply and its 18th-century bridge at Westminster to lotteries. Sydney Opera House could not have been built without them.

Oddly uncreative

While governments continue to run lotteries, companies (and the wider share-ownership movement) have become oddly uncreative in their use. If Ladbroke's dividend were payable by way of lottery, its cost of capital might be reduced; and the working-class customers of its betting shops who have no trouble grasping the mathematics of four-horse accumulators might take more readily to the share-owning democracy.

The difficulty comes on the behavioural side. Lotteries have historically appealed to the poor, who spend a disproportionate share of their income on gambling despite the long odds against them. This has prompted accusations of fecklessness. A witness before a British select committee on gambling at the turn of the century declared: "If the betting craze goes unchecked, the sober youth of Germany will take the reins of the commercial world." Oh ho.

Murderous instincts

Prohibitions on gambling have often been justified in the name of protecting the poor. France's revolutionary government put a stop to the Loterie Royale in 1793 because it was seen as exploitative. Yet it was revived when it emerged that the people were simply punting elsewhere. The instinct becomes stronger when times are hard: the 1930s saw a tremendous gambling upsurge. Freud speculated that men were unconsciously bent on losing money to compensate for the guilt they felt over their murderous instincts towards their fathers. Surveys established, more plausibly, that Catholics gambled more than Protestants.

The most convincing explanation for this haphazardly rewarding working-class behaviour is that it constitutes psychological insurance. For people whose opportunitias for advancement appear blocked, the lottery offers hope, as well as fantasy and escape. But where does that leave the Germans? They are rich, as well as being predominantly Protestant. The unemployment rate in the west is lower than in Britain, France or Italy; and while the east is clearly different, the frenzy is a pan-German phenomenon. Moreover, recent research has established that a surprisingly high proportion of lottery users in Germany are not down-at-heel workers, at risk of losing their jobs and in need of hope, but civil servants. This, it seems, is their idea of living dangerously.

Clearly we need a new behavioural theory, which the US campuses are well equipped to provide. As for Germany, the question is whether economic recovery will bring the country's sober youth back to earth.

Privatising British Coal

The lengthy and painful saga of British Coal enters its closing chapter on Wednesday, when bidders make their tenders to buy the state-owned company. All that remains is for the government to ensure it gets the highest possible value for the taxpayer – and for observers to bewail the might-have-beens. What would have happened if Arthur Scargill had not been the leader of the National Union of Mineworkers, or if coal had been privatised earlier, or if the structure of the electricity privatisation had not encouraged the "dash for gas"? Truly, this has been a tragedy of errors.

For the purposes of the sale, British Coal has been divided into five regions, and bidders can put in for as many as they wish. The government will then choose the winning bids, with a view to completing the privatisation by the end of the year. In assessing those bids the government has set itself two objectives. The first is to maximise the return to the taxpayer. The second is to preserve the largest economically viable coal industry in the long term.

The first aim is both sensible and laudable: taxpayers deserve the greatest possible recompense for the billions of pounds they have poured into British Coal over the years. There is also no justification for underpricing privatisations in the way that many have been underpriced in the past.

The second aim needs to be examined more closely. If this statement is merely a long-winded way of saying that the coal industry must stand on its own two feet, that is acceptable. But if it means that the government is prepared to accept lower bids in return for commitments by purchasers not to close pits, it should be rejected.

Soften the blow

Even at this late stage, the government may wish to soften the blow of coal rationalisation. But the terms of the sale should not be bent to give coal that extra chance of survival. That temptation has been yielded to too often in the past. Subsidies, if any, should be explicit, not hidden inside a manipulated bidding process.

It is true that the economics of mining seem somewhat special, in that investors have the choice of "raping" mines or investing in them over the long term. And it may be that a lower bidder would put in a business plan that promises to preserve mines – and jobs – for a longer period. But accepting such a bid would just be a concealed job subsidy. And how could such bidders be held to this commitment if the market turned against them, without distorting the business still further? There have been suggestions that detailed terms could be written into licences, but that would surely be unrealistic.

Competitive bidding

There is only one criterion to be applied: the highest bid wins. Thus will the greatest value be extracted from the nation's coal. The sole requirement is to ensure that the bidding is sufficiently competitive. The government may also need to set reserve prices, to avoid underbidding.

By the same token, the government should have no hesitation in selling all five regions to the same bidder if that were to yield the best return. There would be no serious loss of competition: domestic coal's strongest competitors are natural gas and imported coal. There may even be a case for keeping the coal industry in one piece, to enable it better to confront these competitors.

Although the assets being offered for sale are a mere shadow of the business that British Coal once was, they do have the makings of a durable, if small, industry. The cutbacks of the last two years have greatly reduced costs, but there is enough scope for further savings. Meanwhile, the prospects for the UK coal market have become clearer now that the share of coal in power generation has fallen to more sustainable levels. If anything, the major challenge facing coal's new owners will be environmental, rather than economic: how to deliver a product that conforms to the country's much tighter atmospheric pollution targets, and covers the environmental liabilities that mining operations always create.

Managing the coal industry's long decline has been one of the most intractable – and costly – challenges confronting British governments for more than a generation. This privatisation must be the end of it. From now on, coal should be just another industry.

Terms still to be decided

Edward Mortimer on the issues that will determine whether the nuclear non-proliferation treaty is extended

While delegates in Cairo wrangle over ways to deal with the world population explosion, another international conference, no less crucial to the future of the planet, is being prepared in Geneva: on extending the nuclear non-proliferation treaty.

The success or failure of such conferences depends in large measure on work done beforehand. Today's meeting of the preparatory committee for the NPT conference should begin to "discuss seriously the agenda and content", according to a report just published by a group of specialised arms control think-tanks*. This means the bargaining positions of the main parties, nuclear and non-nuclear, should for the first time be clearly staked out.

The conference, to be held in New York next spring, is prescribed by the NPT itself: it has to decide whether the treaty should "continue in force indefinitely, or shall be extended for an additional fixed period or periods". The treaty, signed in 1968, divides the world into nuclear-weapon and non-nuclear-weapon states, the former being those which had exploded a nuclear device before 1967. By that definition there were five nuclear-weapon states – the US, Soviet Union, UK, France and China – and the NPT aim was to freeze them at that number. Many non-nuclear states would have liked to abolish nuclear weapons altogether, but had to content themselves with a pledge to "pursue negotiations in good faith on effective measures relating to cessation of the nuclear arms race at an early date and to nuclear disarmament, and on a treaty on general and complete disarmament under strict and effective international control".

One thing the signatories could not agree on was how long the treaty should remain in force. The nuclear powers wanted an indefinite treaty, while some of the non-nuclear wanted to keep a nuclear option open for themselves in case the treaty failed. So they left the matter to be decided at next year's conference, held when the treaty will have been in force for 25 years.

The decision on extending the treaty must be taken by a majority of the parties, which on the latest count means at least 83 states. Most governments would prefer a decision taken by consensus, which would carry greater political weight. But few would want the treaty to lapse just because one or two states (such as Iraq or North Korea) refused to go along. So western governments are keeping open the option of a vote, to ensure that the conference reaches a decision.

Many governments, including four of the five official nuclear powers, Nato, Japan and nearly all European states, favour indefinite, unconditional extension. China is thought to favour indefinite extension on certain conditions. Only Iran, so far, has come out clearly against an indefinite extension; but it is not alone among third-world states in thinking that extension for fixed periods would keep the nuclear powers under greater pressure to move towards disarmament. How exactly this would work is not clear, but it could mean the present exercise being repeated at regular intervals, perhaps every 25 years.

Amendment of the treaty, everyone agrees, would be impossible, because the procedure is too complex. Nor is there any chance of it being scrapped and replaced by a new treaty – for instance, one with tougher and more binding obligations on the nuclear powers – before next spring, or any time soon. The existing treaty now has 164 signatories. No new one could quickly gain anything like such wide support.

Many non-specialists believe that the NPT has failed, or was useful only in cold war conditions; that proliferation in the real world is rampant; and that extending the treaty amounts to little more than "shutting the stable after the horse has bolted". But such views are not shared by experts such as John Simpson, head of the non-proliferation programme at Southampton University. He points out that the world of 20 or more nuclear powers which seemed imminent in the 1960s is still far off; and that in several respects the situation has lately improved.

Until 1990, he says, six countries which had not signed the NPT were "threshold" or "suspect" states, assumed either to have a nuclear weapon or to be actively developing one. That list has now shrunk to three: South Africa has scrapped its nuclear programme and joined the NPT as a non-nuclear weapon state; while Argentina and Brazil have signed bilateral non-proliferation agreements and joined the regional Tlatelolco treaty, which makes all Latin America and the Caribbean a nuclear weapon-free zone. And Algeria, potentially a seventh "suspect", has promised to join the NPT and accepted a safeguard agreement for its nuclear reactor.

That leaves India, Pakistan and Israel. The India-Pakistan relationship remains tense, and this may be the region where the danger of nuclear war is greatest. But from a proliferation point of view the two states form a stable sub-system, with no other state in the region aspiring to emulate them. Israel's *de facto* nuclear status is more dangerous to the NPT regime, because of the asymmetry between it and the Arab states. Many Arabs cite this as a reason for not ratifying the convention banning chemical weapons; and they may refuse to support NPT extension unless the US presses Israel to denuclearise.

Meanwhile the dissolution of the Soviet Union has confronted the NPT with a new problem: the division of one nuclear-weapon state into several, all of which could have claimed to inherit that status. An international consensus was swiftly reached that only Russia should be allowed to do so.

All tactical nuclear weapons have been transferred to Russia from other ex-Soviet republics, as have strategic weapons from Belarus and Kazakhstan, which have joined the NPT as non-nuclear weapon states. Ukraine has agreed in principle to do the same, but has not yet done so. For the time being, strategic weapons remain on its territory, but they are being shipped out and, in any case, Ukraine could not target or fire them without Russian co-operation. Ukraine has also agreed to an audit of all nuclear

The nuclear powers, especially the western ones, are still prone to assume that the NPT's benefits are self-evident

materials on its territory by the International Atomic Energy Agency (IAEA), the body charged under the treaty with verifying non-nuclear states' compliance.

Proliferation within the former Soviet Union is now overshadowed by anxiety over the smuggling of plutonium and other nuclear materials from there to would-be proliferators elsewhere, as exposed by the recent interception of Russian plutonium shipments in Germany.

Meanwhile, France and China – the two acknowledged nuclear powers which rejected the NPT in the 1960s – have acceded to it. Even Israel, India and Pakistan, which have not signed, pay the treaty a back-handed compliment by not declaring themselves nuclear powers (though last month Nawaz Sharif, former prime minister of Pakistan, embarrassed his successor by stating publicly that Pakistan does have a nuclear weapon). The NPT has made non-proliferation a universally respected norm.

But is it respected in word only? The scope of Iraq's weapons programme, revealed after the Gulf war in 1991, shook many people's confidence. Iraq was the first of a new category of NPT "renegades": a long-standing signatory of the treaty, it had allowed the IAEA to monitor its use of imported nuclear fuel. Yet neither the IAEA nor any national intelligence service detected its clandestine weapons programme. This discovery prompted nuclear suppliers to tighten their export restrictions, and to insist on much more intrusive IAEA inspections – though so far they have not endowed the IAEA with resources to match.

The IAEA can monitor compliance, but only the UN Security Council, on whose order Iraq has now been disarmed, has the power and authority to enforce compliance: a distinction highlighted by the next "renegade", North Korea. Here the IAEA did its job well, in that North Korea could only conceal what it was doing by refusing co-operation with IAEA inspectors. But the UN's ability or willingness to do anything about it is more doubtful.

Perhaps the fear of UN sanctions helped change the late Kim Il-sung's attitude in June, when he suddenly agreed to "freeze" nuclear activity during new high-level talks with US officials. But it is not yet clear how far this presages a real change in North Korean behaviour. And it is far from clear that sanctions would have worked, or even have been applied. China, which is North Korea's main trading partner, might well have vetoed, or simply ignored, them.

Iraq was disarmed after military defeat. Theoretically, military action could be taken against North Korea, but it would be extremely risky. Probably, if North Korea remained recalcitrant, the world would have to settle for isolating it as far as possible, while trying to block any further proliferation *from* it to other potential renegades, such as Iran.

Iran's case further illustrates the difficulty of seeking to prevent proliferation purely by restricting supply. Iran fulfils all its NPT obligations and yet, because nuclear suppliers are suspicious of its intentions, does not get the free access to peaceful nuclear energy it is entitled to under the treaty. This strengthens many third-world states' belief that the nuclear powers have not fulfilled their side of the bargain.

Most non-nuclear states did not sign the treaty as a favour to the nuclear powers, but to enhance their own security. The treaty's main function is to reduce *demand* for nuclear weapons, by relieving each non-nuclear state of the fear that its potential adversaries will get them first. But this will not stave off proliferation indefinitely, unless nuclear powers do more to improve the security of non-nuclear ones – or so at least the latter argue. There are three kinds of thing they can do:

- "Positive assurances": pledges to come to the aid of non-nuclear states if nuclear weapons are used or threatened against them. In 1968 the UK, US and Soviet Union gave such a pledge in a United Nations Security Council resolution. But such broad pledges are not very credible.
- "Negative security assurances": promises that they themselves will not use or threaten nuclear weapons against non-nuclear states. These were only available in heavily qualified form during the cold war, because both sides reserved the right to use nuclear weapons in certain circumstances against each other's allies. But they may now be willing to go further. Last week Iran and 10 other states tabled a proposal for a protocol on security assurances to be added to the NPT.
- Progress towards general nuclear disarmament, as promised in the treaty. Many non-nuclear states have decided to judge the nuclear powers' good faith by their willingness to negotiate a world-wide ban on nuclear tests.

The last conference to review implementation of the NPT, in 1990, broke up without agreement because the US and UK refused to commit themselves to such a ban. Since then, there has been spectacular progress towards disarmament in the form of reductions in the US and Russian nuclear arsenals; France and China have adhered to the NPT; and the Clinton administration, followed by a reluctant UK, has come out for a comprehensive test ban. Negotiations on this began in January, but progress has been slow, mainly because the UK, France and China are dragging their feet. A draft text was agreed last week, two months later than most delegates had hoped, and further talks are to be held at the end of the year. But the prospect of agreeing a test ban treaty by next April, when the NPT conference meets, is now thought remote.

The nuclear powers, especially the western ones, are still prone to assume that the NPT's benefits are self-evident. They have perhaps not taken the full measure of third-world states' impatience with the post-cold war world order, and the need to convince them that general disarmament is a genuine, if still a distant, goal.

**A Comprehensive Test Ban: Disappointing Progress, Acronym Booklet No 3, available from BASIC, Carrara House, 20 Embankment Place, London WC2N 6NN*

OBSERVER

The EMB's knees

■ If a sense of being ill-treated in their former incarnations is a recipe for success, Pehr "PG" Gyllenhammar and Hans-Jörg Rudloff should make a real go of their delightfully audacious ambitions to help build a new investment bank.

Rudloff, an old friend of PG's, who sat with him on the advisory board of the EBRD, must be rather tempted to show up his former masters at Credit Suisse. Eighteen months ago they invited the Euromarkets supremo on to the board in Zurich to concentrate on "strategy", a position which Rudloff quit in February.

Meanwhile Gyllenhammar, undeterred by the raspberry with which his fellow Swedes greeted his scheme to merge Volvo with Renault, is confidently stressing the international credentials of the outfit which he is to chair. With the likes of François-Xavier Ortoli, a former French finance minister and EU commission president, and Lord Carrington, the former British foreign secretary, it will doubtless prove an interesting cross-cultural exercise.

The European Merchant Bank, or however the London West End creature is eventually styled, is contemplating a market that is far from saturated. It will of course attract the envy of erstwhile colleagues strung up in the bureaucracy of established investment banks.

So if Rudloff can be as tough with his cronies as he was with his CSFB staff, he and PG could just be back on the road.

Hard pawn

■ Pawnbroking thrives in the Niggardly Nineties, it would seem. So officials from the world's largest chain of pawnbrokers Cash America Investments, which is quoted on the New York Stock Exchange (code PWN), swung in to Sweden recently to exploit the devastation caused by the country's banking crisis two years ago.

The financiers, who hail from Fort Worth, Texas, and who in 1992 scooped up Britain's Harvey & Thompson, found a whole new class of Swedes deeply distrustful of the banks after recent calamities. Before you could sing Pop goes the Weasel, they were offering $21m for Svensk Pantbelaning, the country's premier chain of 10 shops. The purchase takes the global empire to 326 outlets.

Olle Fjordgren, chief executive of the 109-year-old Swedish business, reckons pawnshops now command 2 per cent of total lending to private individuals in his country. He claims to have squeezed a 55 per cent share of a market worth SKr550m and growing at 12 per cent per annum.

To prove that those in hock no longer feel the need to frequent dingy back-street premises, Fjordgren's outfit, which draws the line at pawning fine art, now has a shop on Birger Jarlsgatan, one of Stockholm's snazziest streets in the heart of the financial district.

'I'm not on patrol – I'm a war artist'

Nugatory

■ Ever wondered what happened to all those sociolinguists that academic establishments seemed to be cloning by the dozen during the 1970s? Well, some have found gainful employment.

It was to Semiotic Solutions, for instance, that British Telecom turned for some help during its campaign to persuade the male of the species to daily longer on the telephone.

Now the self-same experts in the meaning of signs and symbols have been asked to judge how Kentucky Fried Chicken and McDonald's will go down in India.

McDonald's, the boffins concluded, will be the "friendly alien tapping into the outer directed culture and self, appealing to the emergent younger generation cohorts, and being a badge or marker of lifestyle".

Kentucky Fried Chicken, a trifle more prosaically, will "penetrate the home and family with new, more efficient ways of doing traditional things".

Which apparently translates into the prediction that chicken nuggets will outsell cheeseburgers on the streets of Bombay.

Musings

■ Scores of readers have been impressing Observer with their erudition in response to the challenge of naming the Three Graces – Aglaia, Euphrosyne and Thalia.

The latter is also the Muse of comedy, so she at least should derive some amusement from the shenanigans connected with the Canova piece.

His request for the £64 garden version of the statue notwithstanding, Jeff Wagland of High Wycombe, Buckinghamshire, who was drawn as the winner, receives instead a small libation.

Graces score

■ A reader has an alternative theory, though, as to why John Paul Getty II should have rushed so willingly to the damsels' side.

Was the anglophile cricketing enthusiast, who promised to fork out £1m to keep the work in the UK, fondly reminded of that other troika of Graces, William Gilbert, and his brothers, Edward Mills and George Frederick?

While the exploits of WG, the 19th century's greatest cricketer, are well known, his elder brother Edward preceded him as England's best batsman. Moreover, in 1880, all three Graces assembled at The Oval to face Australia in what was the first test played in England.

Sadly, there is no evidence that the family possessed any special literary or artistic bent. WG was well ahead of his time in employing the services of a ghost writer to help compile his history of the sport.

Below the line

■ Into Observer's fat file of injuries inflicted upon the English language goes the description of a company's recent acquisition as "accretive to 1995 earnings".

FINANCIAL TIMES
Monday September 12 1994

EU ministers call for increased fiscal rigour

End of recession revives single currency hopes

By David Gardner in Lindau, Germany

The end of recession has revived the prospect of a European single currency by the end of the century, but only greater fiscal rigour will deliver the conditions for it, European Union finance ministers warned at the weekend.

Meeting informally at Lindau in southern Germany, the ministers also signalled that political considerations could loosen the criteria which the Maastricht treaty sets for convergence towards economic and monetary union.

It looks increasingly likely that the rules on deficit and debt levels will be applied flexibly to Ireland, whose government debt is well over the 60 per cent of gross domestic product recommended in the treaty. This could pave the way for the inclusion of other heavily indebted states such as Belgium.

The weekend meeting prepared fnr the first use of so-called "excessive deficit" proceedings when finance ministers next meet in Brussels on September 19. Under this process, the European Commission will recommend budget deficit targets for 1995 and 1996 for the 10 states (excluding Luxembourg and Ireland) that are above the budget deficit target of 3 per cent of GDP set for EMU.

Germany perceptibly softened its opposition to flexibility for Ireland. Mr Theo Waigel, finance minister, underlined that Dublin was well within the deficit criteria and had made "considerable progress" in cutting its debt ratio from 116 per cent to 90 per cent.

Mr Waigel, in German press interviews on Saturday and in his press release for the meeting, had said that "we did not write the debt quota [of 60 per cent] into the treaty as a joke" and that "special treatment" would undermine public and market confidence in a single currency.

Yet after the meeting, Mr Waigel sought to defuse the Irish issue, saying merely that "we must make sure right from the beginning that the criteria are clear-cut".

Mr Hans Tietmayer, Bundesbank president, said the 3 per cent deficit target "is the upper limit; it should not be taken as a yardstick to aim at".

Only Mr Edmond Alphandéry, the French minister, stood up for rigidity. He said "if you choose a loose interpretation then we have to explain very clearly why we are doing this".

The ministers agreed in principle to publish the Commission's recommendations on excessive deficits after their meeting in Luxembourg on October 10. This could help clear the fog over Ireland, but could also risk market instability for countries like such as Belgium and Italy which are widest of the EMU targets.

Three tiers of country, Page 2

By-election setback for Japanese ruling coalition

By William Dawkins in Tokyo

Japan's ruling coalition of socialists and conservatives was humiliated in a by-election yesterday, the first measure of its popularity since it seized power in a parliamentary coup 10 weeks ago.

The defeat in Aichi, the heartland of the car industry, gives a boost to attempts by the 10 parties in opposition to merge into a single party, able to rival the Liberal Democratic party for parliamentary clout.

Voters had condemned the coalition of the LDP with its long-time enemy, the Social Democratic party, as "an act of betrayal" and now wanted a progressive new party, said Mr Tsutomn Hata, the former prime minister. The LDP combined with the SDP to muster enough votes to oust Mr Hata's five-party coalition government in June, so ending the LDP's first spell in opposition for 38 years.

The outcome of yesterday's poll poses no immediate threat to the government, since the Aichi seat – in the upper house, the less powerful of the two parliamentary chambers – was already in opposition hands. It does not affect the political situation, said Mr Tomiichi Murayama, the socialist prime minister.

The vote increases the stature of former prime minister Mr Toshiki Kaifu, who led the opposition campaign in Aichi, his bome prefecture, and is widely seen as a candidate to lead the new party.

The government nominea, a former United Nations official Mr Jiro Mizuno, was beaten by nearly 384,000 votes by the opposition candidate, former labour ministry bureaucrat Mr Yuzuru Tsuzuki, who attracted just over 925,000 votes. Mr Mizuno said the result was his fault and was not a judgment against the government.

Three changes of government in the past year made for a low turnout. Only 43 per cent of the electorate voted, below the 47 per cent of the previous upper house election two years ago, but slightly ahead of the gloomiest newspaper predictions. The seat became vacant after the incumbent was convicted of lying about his academic qualifications in electoral publicity.

The third-placed candidate, Ms Makiko Suehiro, a television talk-show hostess, said her adversaries were indistinguishable pawns in a Tokyo power game. Mr Hata is reported to have provided evidence of this by confusing candidates' names and mistakenly urging voters to elect the government nominee.

The government did no better. Ms Makiko Tanaka, director-general of the science and technology agency, called the government's candidate Mr Shimizu, instead of Mr Mizuno, at a rally.

German parties retain power in eastern state election tests

By Judy Dempsey in Berlin

The Christian Democratic Union and their Social Democrat rivals yesterday won decisive victories in two regional elections in Germany, which have been seen as an early test of the parties' standing before the federal elections next month.

The CDU prime minister of the eastern German state of Saxony, Mr Kurt Biedenkopf, and the Social Democratic prime minister of Brandenburg, Mr Manfred Stolpe, were returned to power with absolute majorities, according to exit polls, condncted by ARD state television and by later computer predictions.

The main gainer in the elections was the Party of Democratic Socialism (PDS), the successor to the former east German communist party. It increased its share of the vote, becoming the third largest party in both states.

The Free Democrats, the junior partner in Chancellor Kohl's governing CDU coalition, and the Bündnis 90/Green party failed to get the 5 per cent minimum required to enter either of the two parliaments.

The interpretation of the vote was complicated by a low turn out. Two hours before polls closed, only 45 per cent of voters in Saxony had voted. In Brandenburg, an hour before polls closed, 46.8 per cent had voted.

In Saxony, the only state where the CDU has an absolute majority, Mr Biedenkopf, a former former general secretary of the CDU, was returned with 57.7 per cent of the vote, three percentage points higher than the 1990 state elections.

Mr Biedenkopf said in a television interview: "I am very happy. But I want to use my second term in office to speak on behalf of all Saxons."

The SPD failed to make inroads in Saxony, winning only 17 per cent of the vote, 2 points less than in 1990. The FDP's share of the vote was cut from 6.6 per cent to 1.8 per cent and the Bündnis 90/Greens's vote fell from 5.6 per cent to 4.3 per cent, leaving both parties outside parliament. The PDS vote rose from 10.2 per cent in 1990 to more than 16 per cent.

In Brandenburg, the only eastern German state with an SPD-led coalition government, the party's share of the vote rose from 38.2 per cent in 1990 to 53.5 per cent although the strong showing may reflect the special factors in eastern German politics rather than national trends.

The CDU's share of the vote collapsed from 29.4 per cent in 1990 to less than 20 per cent. The FDP vote fell from 6.6 per cent in 1990 to 2.3 per cent, and the Bündnis 90/Greens vote also dropped from 9.3 per cent to under 2.9 per cent. By contrast, the PDS vote rose from 13.4 per cent to 18.9 per cent.

Big Mac reveals purchasing power

Continued from Page 1

are becoming increasingly valuable to exectives negotiating pay packages for overseas postings. The UBS survey uses a uniform basket of goods so that clear comparisons can be made.

The survey shows that while the top earnings are in Switzerland, the most expensive apartments are in Hong Kong and the dearest clothes in Tokyo. Household appliances are cheapest in the US.

North America also has the least expensive motoring, while public transport in Europe is very costly.

A shampoo and set at a women's hairdresser costs between $40 and $65 in Oslo. The best places for a cheap hairdo – less than $7 – are Taipei, Caracas, Budapest, Nairobi, Prague and Bombay.

The biggest gross earners are the Swiss, the Danes and the Japanese, followed by the Germans, Luxembourg and the US. London is midway in the earnings league behind Milan and Paris, with Nairobi, Lagos and Bombay at the foot of the table.

People in the Far East tend to work the longest hours, while the least hours are worked by those in Madrid.

Of the 53 cities in the comparison, Tokyo is the most expensive, with Lagos in second place, followed by Oslo and Zurich.

Copies of the report can be ordered free while stocks last from the Union Bank of Switzerland, Economic Information Centre (GEICH), Postbox 8021 Zurich, Switzerland.

THE LEX COLUMN

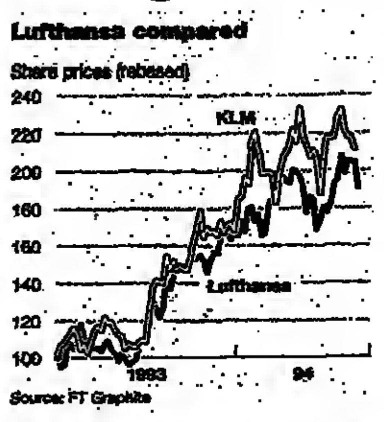
Launching Lufthansa

A great deal is riding on the Lufthansa share sale, which kicks off with the pricing of its rights issue today. This is not because the issue is particularly large. Investors will be nffered about DM1bn in stock as a result of the government not taking up its rights. The importance is rather that Lufthansa is seen as a trial run for the much larger Deutsche Telekom float scheduled for 1996. The Lufthansa issue will be the first time the German government has sold stock through a book-building process. As such, it gives investment banks the chance to prove their technical prowess and so position themselves for the multi-million-dollar fees anticipated from the Telekom float.

The enthusiasm of the banks, of course, carries dangers for investors. There is such a large cast of banks involved that shareholders will be hard-pressed to find an independent voice to advise them on valuation. Bankers wishing to curry favour with Bonn cannot be expected to put out sell notes in advance of the offer. So there is a risk that the stock price could become inflated during the book building period.

But if instead the shares continue to retreat from their mid-summer peak, Lufthansa will start to look attractive again. Over the past two years, the airline has made a break with its public-sector past. Cost-cutting and the recovery in aviation traffic are rapidly turning losses into profits. Lufthansa is still less efficient than British Airways and KLM. But it looks well-placed to compete in Europe's increasingly deregulated aviation market.

Lufthansa compared



Source: FT Graphite

European M&A

European mergers and acquisition specialists must be green with envy as they contemplate the bumper year being enjoyed by their US counterparts. Though the level of European M&A activity has picked up, it does not compare with the flow of multi-billion-dollar deals on the other side of the Atlantic. There three sectors in particular are being convulsed by restructuring: pharmaceuticals, defence and media/telecoms.

On the surface, conditions look ripe for a similar burst of activity in Europe. Like the Clinton administration, European governments are trying to keep the lid on healthcare bills and cut defence spending. So it makes sense for drugs and defence groups to merge and reduce capacity. The technological forces reshaping the boundaries between telecoms and media sectors are also a worldwide phenomenon. Indeed, Europe has seen some activity in all these sectors. The UK's independent television system has been consolidated. Tentative steps are being taken to rationalise the European defence industry. And European pharmacenticals groups have been prominent in buying US drugs companies, though few have themselves been targets.

But European M&A activity lags US deal-making for two main reasons. First, political sensitivities make cross-border restructuring hard in industries such as defence and telecoms. Second, with European recovery still sluggish, many managers are reluctant to splash out on big deals. Memories of recession will undoubtedly fade and M&A activity pick up. But bumper conditions are unlikely to return for some time.

Agrochemicals

The dust has at last settled on the European agrochemicals industry, following 1992's Common Agricultural Policy reforms. These scythed up to 20 per cent off the European market. Results from agrochemicals companies during the first six months indicate the market should stabilise this year, but the outlook for European agrochemicals groups remains bleak. This year, everything that could go right for the industry has done so, yet the world agrochemicals market is forecast to expand by only 3 per cent. Over the next five years, annual growth is expected to be limited to no more than 2 per cent.

Such poor prospects would not be so serious if European agrochemicals groups were capable of generating reasonable returns. Even before the reforms, they were poor. In 1991 Bayer achieved margins of 8.9 per cent. In spite of the recovery this year, profitability remains lamentable. Zeneca's margins during the first half crept up from 10.1 per cent to 13.7 per cent. It is not that the business is intrinsically unprofitable. US groups such as Uniroyal and Monsanto have achieved margins as high as 33 per cent.

The European industry must follow the example of the American industry, by cutting costs, rationalising or taking the difficult decision to leave the business altogether. Unlike the US, where just four large manufacturers remain, in Europe only Schering and Hoechst have merged, leaving Ciba, Sandoz, Rhône-Poulenc, Zeneca, Bayer and BASF battling for market share. The present situation is unsustainable, and benefits neither companies nor their shareholders.

Mobile satellites

A game of chicken is being played out in the so far non-existent market for pocket satellite phones. Inmarsat's decision to raise $1bn in equity for its mobile satellite affiliate has sharply increased the game's stakes. The industrial might now converging on the market is formidable. Inmarsat itself is owned by 75 telecom operators. Three rival consortia include corporate giants such as Motorola, Lockheed, Sony, Loral, Alcatel-Alsthom, Vodafone and France Télécom as well as Mr Bill Gates and Mr Craig McCaw, America's best-known high-technology entrepreneurs.

Pocket satellite phones will be a niche market, providing services for globe-trotting businessmen and those parts of the world without ordinary cellular networks. That could still be a lucrative market. But it is doubtful that four groups investing $10bn-$20bn in total can all be profitable. Some will back down or merge. The first test will be whether they are prepared to put in hard cash.

Motorola's Iridium has already raised $800m, though some of this involves commitments to provide services rather than cash. Loral's Globalstar has pulled in a more modest $275m. Inmarsat's $1bn financing is the most ambitious. But perhaps it has the easiest task, in that it is raising the money from a closed group of mainly state-owned monopolies. Inmarsat's plans will only look commercial to outsiders if its few private-sector investors such as BT think the project worth bankrolling.

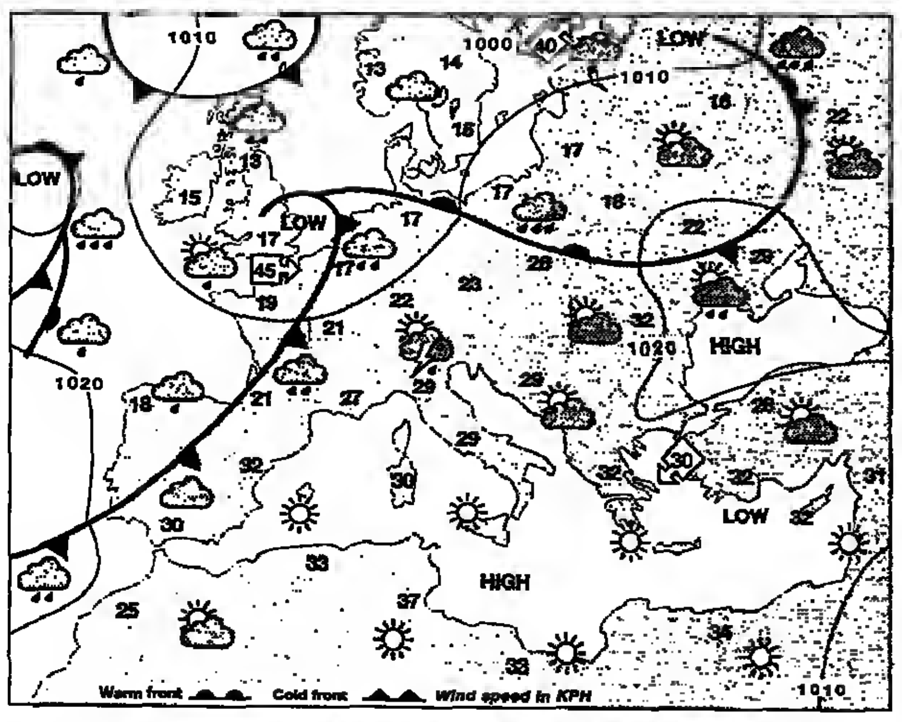
FT WEATHER GUIDE

Europe today

A large, complex low pressure system will bring unsettled conditions to most of western Europe. Scandinavia will have a cool and cloudy day, with rain along the Norwegian coast and showers over Finland and the Baltic states. Fresh northerlies will bring cold air, cloud and showers into Scotland and Ireland. The Low Countries, Germany and much of France will have rain or drizzle. Scattered thunder showers will develop over the Alps. It will stay mainly sunny and warm from eastern Spain to Italy and south-east Europe. Inland, the sun will push temperatures into the 30s. A frontal disturbance over eastern Europe will produce some showers in Poland and west Russia.

Five-day forecast

It will remain unsettled over western Europe. On Wednesday another deepening depression will bring plenty of rain to France and north Spain. Showers will persist over the UK and the Low Countries. Scandinavia will remain cold. A surge of cool, unstable air will reach the western Mediterranean, bringing heavy thunder showers and falling temperatures.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	40
Accra	shower	28
Algiers	sun	33
Amsterdam	rain	17
Athens	sun	32
Atlanta	sun	30
B. Aires	fair	23
B.ham	cloudy	17
Bangkok	thund	34
Barcelona	fair	26
Beijing	sun	27
Belfast	shower	15
Belgrade	fair	31
Berlin	rain	20
Bermuda	shower	30
Bogota	cloudy	19
Bombay	rain	29
Brussels	rain	18
Budapest	fair	27
C.hagen	cloudy	15
Cairo	sun	34
Cape Town	fair	18
Caracas	fair	32
Cardiff	shower	16
Casablanca	fair	25
Chicago	fair	30
Cologne	rain	20
Dakar	shower	30
Dallas	fair	33
Delhi	fair	35
Dubai	sun	39
Dublin	shower	15
Dubrovnik	sun	28
Edinburgh	shower	16
Faro	drzzl	26
Frankfurt	drzzl	22
Geneva	shower	23
Gibraltar	fair	29
Glasgow	shower	16
Hamburg	shower	16
Helsinki	shower	13
Hong Kong	rain	29
Honolulu	fair	32
Istanbul	sun	29
Jakarta	fair	32
Jersey	fair	16
Karachi	fair	31
Kuwait	sun	44
L. Angeles	fair	23
Las Palmas	fair	27
Lima	cloudy	19
Lisbon	rain	23
London	shower	16
Lux.bourg	drzzl	16
Lyon	cloudy	24
Madeira	cloudy	26
Madrid	cloudy	28
Majorca	sun	30
Malta	sun	30
Manchester	shower	16
Manila	thund	30
Melbourne	cloudy	16
Mexico City	shower	22
Miami	thund	32
Milan	fair	25
Montreal	cloudy	20
Moscow	shower	15
Munich	cloudy	25
Nairobi	fair	24
Naples	sun	29
Nassau	shower	32
New York	sun	25
Nice	sun	26
Nicosia	sun	37
Oslo	cloudy	16
Paris	rain	20
Perth	fair	22
Prague	fair	25
Rangoon	thund	29
Reykjavik	fair	9
Rio	cloudy	24
Rome	sun	29
S. Frsco	fair	21
Seoul	fair	24
Singapore	fair	32
Stockholm	fair	17
Strasbourg	drzzl	23
Sydney	sun	24
Tangier	fair	25
Tel Aviv	sun	34
Tokyo	thund	37
Toronto	rain	21
Vancouver	fair	16
Venice	fair	25
Vienna	fair	27
Warsaw	shower	20
Washington	sun	27
Wellington	cloudy	8
Winnipeg	fair	19
Zurich	shower	21

FINANCIAL TIMES

COMPANIES & MARKETS

Monday September 12 1994

MARKETS
THIS WEEK

GERARD BAKER
GLOBAL INVESTOR
Month by month, the hum of economic recovery is spreading through the industrialised world. Strikingly, in most countries the recovery has been driven not by consumption, but by industrial production. Even more encouraging is the fact that the dramatic upswing in activity seems to be largely trade-related. Page 18

MARTIN WOLF
ECONOMIC EYE
In 1991 more than 30 per cent of all births in the UK were outside marriage, some six times as many as in 1961. Patterns of marriage and child-rearing have been revolutionised within a generation. Martin Wolf argues that economics helps explain why. Page 18

BONDS:
As European Union finance ministers held cosy chats on economic and monetary union near Lake Constance last weekend, the markets were hoping that they had not forgotten the lessons they had learnt over the past few years. Page 20

EQUITIES:
A fairly steady outlook for US equities became less certain as last week drew to close, while in the UK, the consensus is that the London market has further to advance this year, even if base rates are almost certain to rise. Page 19

EMERGING MARKETS:
A severe liquidity shortage caused by a spate of rights issues from quoted companies wishing to boost capital has left the Czech Republic's stock market drifting sideways, and turnover has fallen sharply from peak levels of seven months ago. Page 19

CURRENCIES:
The dollar will again be the focus of attention this week after its fall last Friday. Few observers expect this to reverse until US interest rates are seen to have reached a plateau. Page 19

COMMODITIES:
Metals markets are likely to be quieter than usual this week because many aluminium traders have made their way to Paris for the annual Metal Bulletin aluminium conference which opens this morning. Page 18

INTERNATIONAL COMPANIES:
ITT, the US conglomerate which owns the Sheraton hotel chain, will launch its L490bn ($164m) bid for a further 35.25 per cent of Ciga, the Italian luxury hotels group, on September 19. Page 17

UK COMPANIES:
American Express is expected to announce today that it has acquired the international business travel operations and US travel agencies of Thomas Cook for about $375m. TLG, the holding company for the Thorn Lighting group, is planning to come to market later this autumn through a placing and public offer likely to value the former Thorn EMI subsidiary at more than £225m ($349m). Page 16

STATISTICS

Bolivian stock set for London listing

By Richard Lapper in London

A Bolivian electricity distributor will become the first Latin American company for decades to trade its shares on the London stock exchange if plans to list the group go ahead in November.

The Cochabamba Light and Power Company could even be the first listing since the Antofagasta Chile and Bolivian Railway was registered, towards the end of the last century, according to Mr Peter Earl, a consultant with Fieldstone Private Capital Group.

Fieldstone, an investment bank which specialises in the energy sector, is planning Cochabamba's listings in La Paz and London, as well as an "offer for sale", with the overall exercise part of the recent restructuring of the country's electricity industry.

Fieldstone, which values the company at about $33m, is giving priority to Bolivian investors and says the London listing will be secondary. It is hoping that international investors will buy at least some of the 70 per cent stake, being sold by the Bolivian nationalised energy company.

"Until now, there has been no possibility of buying Bolivian stocks so there is considerable pent-up demand with large sums already deposited for this purpose in New York and London," said Mr Earl.

"There has been considerable interest expressed by overseas investors particularly those from overseas markets," he added.

Earlier this year investor confidence in Latin America was dented by turmoil on international markets and signs of political instability, especially in Mexico, a favourite Latin destination for foreign capital in recent years.

Since the summer, however, interest has picked up and a number of new issues are in the pipeline. Although issuance is expected to fall from last year's record of $6bn, Latin American companies raised more than $3bn in international equity offerings in the first seven months of the year, according to figures produced by International Financing Review, a specialist publication.

Competition for the mandates among investment banks is said to be intense, with fees forced down as a result.

Mr Earl says that the recent restructuring of the Bolivian electricity industry has followed the UK model.

Describing the company as a "Latin American Manweb", he says its operating profits rose 62 per cent and revenues 21 per cent in 1993.

The Caracas-based Andean Development Corporation, a regional development body, is underwriting the issue alongside Fieldstone.

International Equities, Page 19

Savoy may deny Forte full victory

By Michael Skapinker, Leisure Industries Correspondent

The Savoy hotel group is expected to emerge from its board meeting tomorrow as an independent company. Plans to merge Savoy's hotels with Forte's luxury establishments are likely to be shelved for the time being. The board hopes instead to appoint a new chairman and managing director, who will be charged with improving Savoy's profits as a stand-alone company.

This outcome will not give Forte the complete victory it has sought. Mr Rocco Forte, the group's chairman, wanted a majority stake in a company which combined the Savoy group with Forte's top hotels. Forte is, however, expected to be given greater participation in the management of Savoy.

Savoy die-hards still hope that a white knight might offer to buy the stakes of one or more small Savoy shareholding trusts, thereby pushing Forte even further away from outright control.

Their interest has been raised by a planned meeting today between Sir Anthony Tuke, Savoy's chairman, and Mr Jay Pritzker, the Chicago financier whose family owns the Hyatt hotels group. Mr Pritzker was unavailable for comment.

Savoy directors hope to announce on Tuesday that Mr Ramon Pajares, general manager of London's Four Seasons hotel, will replace Mr Giles Shepard, the Savoy managing director, who is expected to resign today or tomorrow.

Sir Ewen Fergusson, chairman of Coutts, the private bank, and former British ambassador to France and South Africa, is the leading candidate to succeed Sir Anthony, who wishes to retire.

The directors' endorsement of Sir Ewen and Mr Pajares would represent a truce in the 13-year-old feud between Savoy loyalists and Forte.

A takeover battle which lasted for much of the 1980s resulted in Forte owning 68 per cent of the shares but only 42 per cent of the vote.

There has been a recognition by both sides that the Savoy hotels – which include the Savoy, Claridge's and the Connaught – have performed poorly under Mr Shepard. Last year, the group made pre-tax profits of only £725,000 ($1.1m) on turnover of £83.3m.

Method of Lufthansa issue clears way for Deutsche Telekom, write **Andrew Fisher and Antonia Sharpe**

A test-flight towards prize on the horizon

Lufthansa, the German national airline, has striven hard over the past two years to cut costs, shed labour, streamline operations and move out of the red. It is against this background of a return to profitability that international investors are being wooed by banks to take up the shares offered in the airline's DM1bn ($650m) privatisation issue.

But while the consortium of banks, led by Dresdner of Germany, are confident that Lufthansa's recovery story is a convincing one – the shares have doubled over the past year to more than DM200 – the implications of the issue go well beyond its likely acceptance by investors. They concern future privatisation issues, German companies' attitudes to new methods of promoting investor interest and the way in which big German banks are being forced to relax some of the cosy practices of which foreign banks have often complained.

By international standards, the Lufthansa issue, with the price to be fixed on September 29, is relatively small. Thus at first sight, the scale of international attention focused on the imminent sale of the German government's shares in the airline may seem overdone. After all, the airline is already partly privatised – the government's stake is 51.4 per cent with other state bodies holding a further 5.5 per cent – so investors can readily buy shares in the market.

Not all investors are persuaded that Lufthansa is as attractive as the banks say. The shares' sparkling performance has raised worries in some minds of buying at the top of the market. "It will require a revision of earnings estimates to get investors interested," said Mr John Legat, senior portfolio manager at GT Management in the UK.

So why has the Bonn government placed so much importance on involving international investors in this transaction? And why are so many banks (28 in all) keen to participate in promoting and selling the issue? One reason is that there is a much bigger prize hovering temptingly over the horizon – the partial privatisation of Deutsche Telekom, the state German telecommunications concern. The size of this issue could exceed DM10bn.

By matching demand and supply in the shares, bankers hope to avoid volatility

If the Lufthansa issue is a success, it will bode well for the Telekom offering which will have to be organised on a much larger scale. For the first time in a German privatisation, the bookbuilding method is being used. Investors' bids are collected for the shares, thus helping to establish the most appropriate selling price. By matching demand and supply in the shares on offer, bankers hope to avoid excessive volatility when trading starts in the secondary market.

Through bookbuilding, the banks aim to favour potential long-term investors over those likely to sell early. It is a transparent method which has already been used in Germany to varying degrees for issues such as Wella, the hair care company, Daimler-Benz, the motors and aerospace group, Dresdner Bank and Buderus, the engineering group. The DM600m sale of 25 per cent of the shares in Hanover Re, the German reinsurance company, will be the next German issue in which bookbuilding will be used.

But other German companies – now more comfortable with the idea of having non-German shareholders – are also intrigued by this method of selecting high-quality investors, especially for issues with a foreign appeal. "There has been a very positive echo from German corporations," said one Frankfurt banker involved in the Lufthansa deal. "German firms used to offer a 20 per cent discount [when raising capital]. If they can get close to the market price of the shares, they can raise more cash."

In the share issue carried out abroad by Dresdner Bank this April, which raised DM1.1bn, bankers estimate bookbuilding meant a near 15 per cent gain over what would otherwise have been obtained. "You can separate the wheat from the chaff," said one. Because the emphasis is placed on the quality of the investors and shares are not simply allotted according to a bank's status or links with the issuing company, issuers clearly benefit.

For the big German banks, this is quite a change. In the past, new share issues sometimes failed because banks were unable to place the shares they had been allocated (based on their underwriting quota) in firm hands. This meant shares were sold in the market, depressing the price after the issue. Bookbuilding is designed to avoid this; the lead bank funnels shares to those consortium banks who can call on the best long-term investors.

"The traditional German methods have outlived their time," said a German banker. "German companies have got to be much more capital market-aware and take account of shareholders' wishes. This is what bookbuilding is all about."

But much depends on the way it is carried out. Some bankers are critical of the "ring-fencing" approach in which banks – apart from Dresdner and Deutsche Bank as lead manager and co-lead manager – are restricted to fixed geographical areas in placing the Lufthansa shares. Other German banks are irritated at being held to their home base.

"There should be no regional limitations with Deutsche Telekom," said one banker. Also, some bankers dislike the fact that no global co-ordinator has yet been appointed for the Telekom issue, expected in 1996. Now that German banks are shedding their conservatism and have embraced bookbuilding, they are keen to see the job done properly.

This week: Company news

WESTERN UNION

Buy-out teams could push bids past $1bn mark

The final round of bidding in the auction of Western Union this Friday could well elicit an offer of more than $1bn for the world's biggest non-bank money-transfer company – more than twice the first bid made three months ago.

Three bidders remain in the ring: First Financial Management, a data processing company, First Data, a credit card processing company spun off by American Express two years ago, and Forstmann Little, a leveraged buy-out firm.

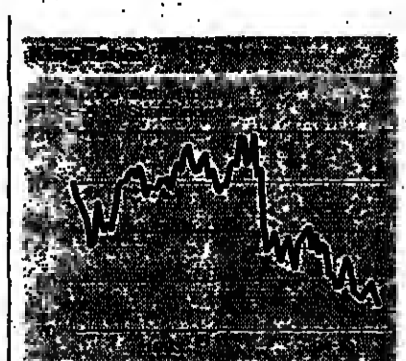
Western Union, which handled 18.5m payment transactions last year, was put up for auction by a US bankruptcy judge in June. The company, though not itself in bankruptcy, is owned by New Valley, which has been operating under Chapter 11 of the US bankruptcy code since March.

New Jersey-based Western Union remains the best-known name in the US money transfer business. Formed in the middle of the last century, it operates through 24,000 agents, 6,000 of whom are outside the US. The company relies to a large extent on customers who do not have bank accounts.

First Financial, which was the last of the bidders to declare an interest in Western Union, appears to have made the most attractive offer so far. In the first round of formal bidding, which closed 10 days ago, the data processing company offered to pay $800m.

This compares with $970m from Forstmann Little – though unlike First Financial, it has said it will not assume the company's unfunded pension liability, put at $265m. First Data, meanwhile, seems to have dropped out of contention by refusing to raise its earlier offer of $660m (plus assumption of the pension liability).

Friday's second-round of bids may not yield the winner and the final outcome may not be known until the end of the month.



KINGFISHER

Stores' low price plan fails satisfy doubters

An increase in first-half pre-tax profits tomorrow at Kingfisher, the UK retailing group, from £82m to about £93m ($144m), is not expected to lift the gloom surrounding the stock in the City of London.

The shares have fallen from a high of 778p last December to 504p on Friday.

The results will include a full contribution for the first time from Darty, the French electrical retailer whose acquisition was completed two months before the end of the first half last year. Stripping out the increase from Darty, the underlying result is forecast to be down on last year.

Uncertainty among analysts over the size of Darty's trading profit – forecasts average about £36m – is one reason for the wide range of group profits forecasts, from £89m to £98m.

There is further uncertainty over how successful Kingfisher, which includes B&Q, Comet, Superdrug and Woolworths, has been in making its Everyday Low Pricing Strategy work. Analysts do not quarrel with the overall strategy – trimming margins to increase sales volumes and market share, allowing further cuts in prices, to get into a "productivity loop" – but they are concerned about its implementation.

They say Kingfisher should have cut costs, and introduced technology such as electronic-point-of sale systems in all chains first.

OTHER COMPANIES

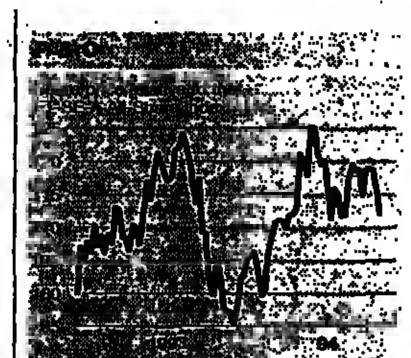
Air France to reveal buyer for hotel chain

Air France will today end weeks of uncertainty by announcing the identity of the new owner of Méridien, its luxury hotel chain. Méridien is being courted by competing bids from France's Accor and the UK's Forte. Air France says it will sell Méridien to the highest bidder which means Forte could win as it has bid FFr1.8bn ($330m) against Accor's FFr1.6bn. However, the French group has lobbied hard behind the scenes trying to swing the deal through its political influence and commercial clout as one of Air France's partners.

■ **Nestlé:** The food and beverages giant maintained sales at SFr27.3bn ($20.60bn) in the first half in spite of the very strong Swiss franc, winning renewed investor support. First-half results for the period, which are to be announced on Thursday, are also expected to show little or no growth, unless the group takes in all or part of the gain on its recent FFr4.8bn sale of assets to L'Oréal.

■ **P&O:** A good half for the cruise industry is expected to have helped the UK shipping, construction and property group lift pre-tax profits to between £100m ($155m) and £130m, against £80.1m. Analysts anticipate a dividend of 13.5p, against last time's 24p.

■ **Lasmo:** The oil explorer is expected to announce interim net losses of £20m, ($31m) excluding exceptionals, on Wednesday, against net profits last year of £20m.



■ **Prudential Corporation:** The UK's largest life insurance company reports its interim results on Wednesday. Analysts' forecasts for pre-tax profits range from £243m ($377m) to £283m, compared with £242m last time.

■ **United Biscuits:** The UK biscuits and snacks manufacturer is likely to report on Thursday interim pre-tax profits of about £75m ($116.25), compared with £70.8m a year earlier before a £62.7m gain on disposals. An increase in the dividend is unlikely. Keebler, its US subsidiary, will show some progress.

■ **Next:** The UK fashion retailer is expected on Friday to provide evidence of its recovery, with interim pre-tax profits up from £23m ($36m) to about £32m.

Companies in this issue

Amexco to pay $375m for Thos Cook units

By Michael Skapinker, Leisure Industries Correspondent

American Express is expected to announce today that it has acquired the international business travel operations and US travel agencies of Thomas Cook for about $375m (£241.9m).

The deal will confirm American Express as one of the world's two hig business travel groups, alongside Carlson of the US and Wagonlit of France, who agreed to combine their business travel operations last March.

The sale of its business travel operation will allow Thomas Cook to concentrate on its three remaining activities: leisure travel agencies outside the US, foreign exchange and traveller's cheques.

The purchase of the US travel agencies business is a separate transaction.

The US business is owned by Mr David Paresky, who operates under a franchise agreement with Thomas Cook. Thomas Cook was prevented by US banking laws from operating the business itself, because it is owned by Westdeutsche Landesbank.

The expected $375m purchase price represents the payment to both Thomas Cook and Mr Paresky. It is not known how it is divided between the two transactions.

Thomas Cook is thought to have decided that it did not have the resources to compete in the international business travel market.

Purchasing airline tickets and booking hotel rooms for corporate customers will require an increased investment in computer technology over the next faw years.

Unlike American Express, Thomas Cook does not have a charge or credit card to offer business travellers.

The ability to provide clients with a plastic card to use on thair trips has become an increasingly important part of the business travel service. Carlson and Wagonlit have said that they hope to negotiate an agreement with a card issuer.

Thomas Cook said last month that it wanted to increase its involvement in the traveller's cheque business when it acquired Interpayment Services, the world's largest issuer of Visa traveller's cheques, from Barclays Bank.

The acquisition, for an undisclosed consideration, raised Thomas Cook's share of the $54bn world-wide traveller's cheque market from 17 to 30 per cent. This put it in second place bahind American Express, which has 44 per cent.

Thomas Cook is also thought to have had discussions about buying the traveller's cheque operations of Citicorp. Citicorp, the only other issuer of traveller's cheques of any size, has 12 per cent of the market.

Why agents are going global, Page 11

Lucas completes strategic review

By Tim Burt

Lucas Industries yesterday said Mr George Simpson, its new chief executive, had completed a five-month strategic review aimed at refocusing the aerospace and automotive components manufacturer.

The company, however, played down weekend reports that the plans would lead inevitably to plant closures, redundancies and the disposal of non-core businesses.

Under the proposals, the group will focus on six products areas – aerospace, electronics, brakes, diesel systems, electrical systems and automotive aftermarket – but the board has yet to decide on the form of any restructuring.

Mr Simpson, the former Rover Group chairman, first outlined his vision last month at a meeting of senior managers, at which he voiced concern at Lucas's "inadequate" financial performance and stressed the need for better customer relations.

He told them that to achieve long-term growth the group had to concentrate on added-value products such as aerospace equipment and electronics rather than low cost components.

The group's full year results are due on October 10.

Former Thorn EMI offshoot likely to be valued at more than £225m

TLG planning autumn debut

By Paul Taylor

TLG, the holding company for the Thorn Lighting group, is planning to come to markat later this autumn through a placing and public offer likely to value the former Thorn EMI subsidiary at more than £225m.

The flotation of TLG, Europe's second largest supplier of professional lighting equipment and systems after Philips of the Netherlands, will be one of the biggest in a busy autumn new issue calendar for the Stock Exchange.

In August last year, TLG was the subject of a £171.5m management buy-out led by Mr Hamish Bryce, TLG's executive chairman, and backed by Investcorp, the Bahrain-based international investment bank. Thorn EMI retained a 12 per cent stake in the business while the management team took a 3 per cent holding, which could rise to about 13 per cent subject to the exercise of stock options.

Thorn Lighting's origins go back to 1928 when Sir Jules Thorn founded the Electric Lamp Services Company in London. The lamp bulb manufacturing business was finally sold to General Electric in 1991 leaving TLG – renamed to avoid confusion with its former parent – as a dedicated fittings manufacturer.

TLG is expected to raise between £70m and £80m of new money through the flotation which will initially be mainly used to reduce TLG's £100m net debt. Investcorp and Thorn EMI are expected to retain most of their shares following the flotation.

The group, headquartered in Spennymoor, County Durham where it also has a state of the art manufacturing facility, has operations in 23 countries, including manufacturing facilities in eight, and has more than 4,000 employees worldwide. Among the large projects undertaken by TLG are lighting the Tower of London and the Sydney Opera House.

It is the market leader for commercial industrial, public and industrial light fittings in the UK, where it has about a 23 per cent market share, and the Nordic region and has strong positions in the French and German markets. It is also a market leader in Australasia and has a strong base in the fast growing Chinese and south east Asian markets.

Despite the recession, which has affected all the group's main markets including tha £2.8bn Europaan market, TLG's profitability has grown rapidly in recent years helped by cost reductions, the introduction of modern management and production techniques and sharply improved productivity.

The company's Spennymoor factory, which employs 1,050, has won a raft of awards and was recently named best factory in the north-east in a competition run by the Cornfield School of Management and the Department of Trade of Industry.

Hamish Bryce: group is poised for strong organic growth

Over tha past three years, the workforce has been cut by 22 per cent, three factories have been closed and a 24-hour European distribution hub has been established in Brussels. As a result, turnover per head has risen by 30 per cent and profit per head by 135 per cent.

Meanwhile, tight financial management means that working capital has been reduced while investment in new product development has been stepped up and product portfolio has been updated. As a result, sales of new products launched since 1992 are expected to account for about 40 per cent of UK sales this year.

Overall operating profits have increased by 85 per cent from £11m in the year to March 31 1992 to £20.4m in the latest period (to March 31 1994) on flat turnover of £324m, reflecting the recession and intense competition.

As TLC's main markets, including continental Europe, begin to show signs of recovery, Mr Bryce says the group is poised for strong organic growth which could in some markets, for example in Germany, be augmented by acquisitions, though he insists there is nothing planned at present.

At the time of the management buy-out, TLG had been expected to come to market by about 1996. Mr Bryce, who joined Thorn Lighting in 1986 and has overseen the transformation of the business, says the accelerated timetable reflects tha success of the group in boosting its financial performance, and the favourable market conditions.

"We believe now is an appropriate time to obtain a listing of TLG's shares. The flotation will reduce the group's indebtedness and enhance growth prospects," Mr Bryce said.

Tha issue is sponsored by Kleinwort Benson and the joint stockbrokers to the issue are Cazenove and Kleinwort Benson Securities.

Institutions cool on UK equities

By Norma Cohen, Investments Correspondent

UK institutional investors are losing some of their enthusiasm for British equities, as well as those from Japan, according to the lastest Smith New Court/Callup survey of fund managers.

The survey, conducted among 91 institutions in early September, found that only 15 per cent of respondents planned to increase their exposure to UK equities, down from a six-month high of 20 per cent in July. Only 21 per cent of respondents planned to increase their Japanese equities investment, down from 48 per cent in July.

The investor demand for property investment appears to be tapering off as well, with only 1 per cent of respondents saying they wish to increase their boldings, down from 14 per cent, the six-month peak, in May.

On the overall UK economic front, nearly two thirds of respondents say they expect conditions to "get a little better" over the next 12 months, with another 20 per cent predicting they will remain unchanged. On the inflation front, 77 per cent see inflation rising more rapidly in the next 12 months.

On continental Europe, respondents have increased their forecasts for German interest rates, saying they expect the Bundesbank's key rate for repurchase agreements to rise to 5.1 per cent in one year's time from its current level of 4.85 per cent.

In the light of that forecast, not surprisingly, just over half of all respondents said they favoured French equities over German equities.

France ranked as the Continental market in which investors most wanted to increase their exposure, while Germany was the market in which investors most wished to decrease their exposure.

● UK pension fund managers believe Asia Pacific and South America offer the most attractive investment areas over the next decade, according to a survey by Record Treasury Management, the currency hedging specialists.

Instem advances in first half

Instem raised pre-tax profits from £410,000 to £505,000 in the six months to June 30, although the electronics and information services group has continued to experience underlying pressure on margins.

Turnover was lower at £8.04m (£9.5m) reflecting the nature of the USM company's project buainess, although order intake in both systems and electronics manufacturing businesses had increased.

Earnings per share rose from 6p to 7.4p and the interim dividend has been stepped up to 1.4p (1.3p).

New emerging markets trust being launched

By Terry Byland

In an important expansion of investment opportunities in the move into global emerging markets, Société Générale Strauss Turnbull is launching an investment trust aimed at expected capital growth in information infrastructure in emerging economies in Asia, Europe and Latin America.

BZW Investment Management will manage the fund, to be named The Infostructure Trust, which is initially aimed at a minimum total investment of about £40m although this figure is likely to become very much greater, depending on the response to the offer.

The fund will hold shares, mostly in companies quoted on emerging stock markets and, which operate across the full range of the information industry, including advertising, publishing and telecommunications, newapapers, and education, as well as electronic software and hardware.

The issue, in the form of an institutional placing and public offering of ordinary shares with warrants attached, will be sterling dominated and listed in London.

Trading in the shares is expected to start in November.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Axa (France)	Victoire Belgium (Belgium)	Insurance	£122m	Axa continuing expansion
Canadian 88 Energy (Canada)	Unit of Texaco (US)	Oil & Gas	£99m	Texaco rejects Canadian bid
Axa (France)	Wing On Life Assurance (HK)	Insurance	£72m	Wing exiting life
Berjaya (Malaysia)	Taiga Forest Products (Canada)	Forest products	£14.6m	Plans for 60% stake
Manders (UK)	Morrison-PIM Holdings (Netherlands)	Inks	£14m	Complementary purchase
Macfarlane Group (UK)	Wicklow Custom Packaging (Ireland)	Packaging	£7.75m	Buy from cash pile
Independent Newspapers (Ireland)	Jornalgeste (Portugal)	Publishing	£5.8m	Taking a 6.6% stake
Dow Jones (US)/Flextech (UK)	European Business News (JV)	Broadcasting	n/a	70/30 split
Volkswagen (Germany)/ Eicher Goodearth (India)	Joint Venture	Motor vehicles	n/a	Production & marketing plans
Singapore Aerospace (Singapore)/IPTN (Indonesia)	Joint Venture	Aircraft maintenance	n/a	Repair & maintenance move

COMPANIES AND FINANCE

Inmarsat to form global network

By Andrew Adonis

Inmarsat, the London-based international mobile satellite communications organisation, will this week launch an affiliate company to build a global personal mobile satellite telecommunications system.

The company, one of several ventures seeking to construct a personal mobile satellite network, aims to raise $1bn in equity from Inmarsat's 75 members by the end of the year to fund the first stage of development and construction.

The network is intended to be operational by 2000. It will require 12 intermediate-orbit satellites, terrestrial tracking stations, and commercial partnerships with manufacturers and service providers.

The total cost is estimated at $2.6bn. In addition to the $1bn of initial equity, the new company will be seeking a further $400m from strategic partners among satellite and handset manufacturers. No public flotation is planned.

Mr Olof Lundberg, Inmarsat's director-general, said the project was "bold and ambitious", aiming to service a "significant niche" opening up in the mobile communications market.

Customers for the new network would include international business travellers and local operators wanting to supply telecoms services to areas without adequate infrastructure.

The most advanced of Inmarsat's rivals are Iridium and Globalstar, both of which claim to have raised significant investment sums. Iridium's $3.4bn project was conceived by Motorola, the US-based electronics group; the $1.8bn Globalstar project is being developed by Loral, the US defence group, and Qualcomm.

Although the design of their networks – including the level at which the satellites orbit – varies, the three operators are aiming to provide similar services. With development at an early stage, analysts are cautious as to the prospects of all three operators surviving until launch.

Inmarsat uses five operational satellites to provide services to 40,000 customers, most of them in its specialist maritime and aeronautical markets. It views personal mobile communications as a critical growth market.

Iridium will be based on a constellation of 66 small "Leo" satellites.

Handsets for all the networks will be dual-mode, allowing calls to be made on local cellular networks where available.

A year ago, Motorola raised $800m from an international consortium, including Raytheon, Lockheed and Sprint of the US, Bell Canada and 18 Japanese companies including Sony and Mitsubishi as a first stage towards financing Iridium.

More recently, a group of Indian financial institutions agreed to invest $32m in Iridium, and Comsat, the US satellite operator, is understood to be discussing investing $70m to acquire a stake in the project.

See Lex

Texaco bid to buy rest of Canadian unit fails

By Richard Waters in New York

Texaco has failed to buy out the minority shareholders to its Canadian subsidiary, Texaco Canada Petroleum.

The US energy group's offer for the 22 per cent of the company it did not already own was rejected by 84 per cent of the minority shareholders in a vote on Friday.

It needed more than 50 per cent of holders to accept the $1.40 a share offer to succeed. Texaco's failure followed a dispute over the Canadian company's value.

Canadian 88 Energy, an independent company holding 9.8 per cent of the shares, had offered to buy Texaco's shares in its subsidiary for $1.65 a share. But Texaco maintained its offer was fair and was based on the advice of two independent financial advisers.

The rejection is a setback for Texaco ahead of its expected move to expand its Canadian operations. The US company once had one of the biggest oil and gas businesses in Canada, but sold the bulk for $5bn at the end of the 1980s.

The attempt to buy out the minority shareholders was seen as a tidying-up exercise ahead of renewed growth.

ITT to launch L400bn offer for Ciga next week

By Andrew Hill in Milan

ITT, the US conglomerate which owns the Sheraton hotel chain, will launch its L400bn ($254m) bid for a further 35.25 per cent of Ciga, the Italian luxury hotels group, on September 19.

The terms of the bid, which will be made through ITT's Sheraton International subsidiary, were outlined on Saturday.

If successful, the L1,102 a share offer will double ITT's stake in Ciga to 70.5 per cent. Certain Italian fund managers, however, have already indicated that they would prefer to remain minority shareholders. Ciga shares closed on Friday night at L1,076.

Consob, the Italian stock exchange watchdog, first announced that ITT would have to bid at the end of July. Since then the US company has bought further Ciga shares on the market at below L1,100.

In the full-page prospectus, published at the weekend, ITT said its management plans would be "better defined in the coming months". However, it said it wanted to "explore the potential synergies between Ciga Hotels and ITT Sheraton.

"ITT Sheraton can offer Ciga Hotels the benefit of a global marketing and distribution network, which Ciga did not have previously. Furthermore, ITT Sheraton can integrate Ciga into the financial and operating systems already used by the ITT group."

Ciga was controlled by the Aga Khan's holding company, Fimpar, until a rescue rights issue earlier thla year, prepared by Mediobanca, the Milan-based merchant bank, on behalf of the debt-encumbered group's creditor banks.

ITT was unable to acquire Ciga via that issue, as originally planned, and has had to accumulate shares on the market.

The ITT bid, which will close on October 7, could end more than a year of uncertainty about the future of Ciga, which was courted last year by Forte of the UK and Host Marriott of the US. Sheraton International is advised by Euromobiliare and Milla.

Meanwhile, the Aga Khan is due to decide this week how much he can afford to pay to bail out Fimpar, which urgently requires new capital.

Reports at the weekend suggested he was ready to underwrite an increase in capital to the tune of L24.5bn, but that he would not pay the entire sum at once. Fimpar has postponed today's extraordinary shareholder meeting, due to consider the group's future, until September 19.

Rapid rise for Ford descendant

The possibility that a member of the Ford family will one day take over the top job again at the US motor vehicle manufacturer increased last week with the elevation of a great-grandson of founder Henry Ford to a senior position in the company, writes our financial staff.

William Clay Ford II, 37, was named as the next head of the company's important finance committee.

He will take over the job from his father, also named William Clay Ford, on January 1 next year.

William Clay Ford II was also named a member of the company's organisation review and nominating committee.

His appointment was seen as a sign of a rapid rise within the company, potentially setting the stage for William Clay junior to become the first Ford family member to run the US's second-biggest manufacturer of vehicles since Henry Ford II, a grandson of the founder, stepped down in 1979.

The company's finance committee has been chaired by members of the Ford family since Henry Ford II took on the job in 1979.

The role passed to his brother, William Clay senior, after his death in 1987.

Globex rival faces further delay

By Laurie Morse in Chicago

The launch of the Chicago Board of Trade's answer to Globex, an after-hours computer trading system known as Project A, has been delayed again. The system is now expected to make its debut the third week in September.

The CBoT, which is home to the actively traded US Treasury bond futures and options markets, pulled the plug on Globex, the electronic futures trading network owned by Reuters and operated jointly by the Chicago Mercantile Exchange and Matif, last May.

Since then, it has announced ambitious plans to link its own Project A system with other after-hours computers in London and Australia.

However, the exchange has had difficulty getting the product launched on its own turf. Originally scheduled to open trading on August 1, Project A was delayed at the request of some CBoT members, who wanted a complete system audit.

Deloitte & Touche, the international accountancy firm, gave the system a clear report in late August. Now, the CBoT is waiting for its regulator, the Commodity Futures Trading Commission to review the auditor's report and give its approval for the Project A launch.

The exchange already meets much of the demand for its products outside the US time zone with its evening open-outcry trading session, which last month had turnover of 229,510 contracts.

When Project A is launched it will initially open for only two hours in the afternoon, bridging the gap between the close of the CBoT's afternoon session and the opening of its evening session.

Merloni earnings jump 51%

By Andrew Hill

Pre-tax profits at Merloni Elettrodomestici, the Italian manufacturer of domestic appliances, increased by 51 per cent in the first half of 1994, helped by increased sales outside Italy.

Merloni, quoted on the Milan stock exchange but majority-owned by the Merloni family, announced on Friday that profits rose to L21.6bn ($13.7m) in the first half of this year, compared with L14.3bn last time.

The company, which trades under the Ariston, Indesit and Scholtes brands, recorded consolidated sales of L905bn, against L726bn, an increase of 24 per cent.

With the consolidation of the company's production units in Turkey and Portugal, some 72 per cent of sales – or L657bn compared with L495bn a year earlier – are now made outside Italy, although exports were virtually the same as in the equivalent period. Excluding the Portuguese and Turkish factories, Merloni's total turnover rose by 16 per cent.

On Friday, Merloni shares rose to L5,450, compared with an opening price of L5,405.

Merloni is the only large Italian white goods producer still in Italian hands, but it faces stiff competition from larger rivals such as Zanussi, owned by Electrolux of Sweden, which also achieves about 70 per cent of its sales overseas.

In July, Zanussi announced that its operating profits had increased by 51.3 per cent to L257bn in 1993, on sales of L3,022bn, of which L2,079bn came from abroad.

Profits ahead at Pacific Dunlop

By Nikki Tait in Sydney

Pacific Dunlop, the Melbourne-based industrial conglomerate, has reported a 16.8 per cent rise in profits after tax and abnormal items to A$308.5m (US$226m) for the year to June.

The result was scored on sales up by 9 per cent, to A$7.07bn, and included a pre-tax abnormal item of A$4.88m, down from A$9.53m previously.

Earnings per share, before abnormal items, were up by 13.6 per cent to 28.4 cents. The final dividend is 11.5 cents a share against 11 cents, making a total for the year of 22.5 cents compared with 21.5 cents.

All five main industrial divisions – ranging from automotive products to healthcare – showed advances but the largest group, building and construction, only saw a marginal increase in operating profits, from A$148m to A$149m. Pacific Dunlop said the results were "creditable in very competitive markets".

On a geographical basis, Australia accounted for A$333m of operating profits, compared with A$330m, and south-east Asia and New Zealand chipped in A$96m, largely unchanged from the previous year's A$94m. A bigger advance came in the US, contributing A$133m against A$103m, and Europe, with A$25m against A$16m.

● Shell Australia is to go ahead with the flotation of its gold and other mineral assets as a separate company. A prospectus is to be lodged by the end of this month. It expects to raise A$400m from the float.

The new unit will take in a 30 per cent interest in the Boddington gold mine in Western Australia, full ownership of the Union Reefs gold mine and the Sunrise Dam gold project, and 40 per cent of the Central Desert joint venture.

South African fruit merger

Two of South Africa's biggest fruit exporters, Unifroco and Outspan, are to merge their European operations into a new company called Capespan, writes Mark Suzman in Johannesburg.

Last year the combined export sales of the two companies exceeded R2.5bn ($554m).

The two will have an equal share of Capespan, which will be based in the UK. Their subsidiary offices throughout Europe will be merged and put under Capespan's control.

The new company plans to operate a combined marketing season of 50 weeks, compared with Unifroco's 35 weeks and Outspan's 25 weeks.

Banesto sells stake in zinc group

By Tom Burns in Madrid

Corporación Banesto, the Spanish industrial holding company, has sold 23 per cent of Asturiana de Zinc (Azsa), Europe's largest zinc producer, for Pta10.6bn ($82.6m) to a group of international investors for Pta1,500 a share, reducing its stake to just over 50 per cent.

The sale represents the third large disinvestment in less than two months by La Corporación, whose parent Banco Español de Crédito Banesto, was acquired this year by Banco Santander in a $2bn takeover.

AB Asesores, a Madrid investment bank, Germany's Deutsche Bank and Robert Fleming of the UK managed the Azsa disposal.

Banesto said La Corporación policy was to dispose of its assets gradually as price opportunities arose. "We are overhauling the management of all the companies controlled by the holding company and we are not conducting a fire sale for any of the companies."

The mining company, exposed both to the cyclical price of zinc and to the dollar-peseta exchange rate, reduced its losses by 47 per cent to Pta2bn in the first half of this year and is forecast to post 1994 losses of Pta4.4bn, against losses of Pta8.3bn last year. Analysts expect the company to break even next year.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, September 9, 1994. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	4027.40	2596.81	1684.12	2616.04
Albania	(Lek)	154.90	99.8774	64.7737	100.617
Algeria	(Dinar)	60.0797	38.7386	25.1282	39.0254
Andorra	(Fr Fr)	8.1988	5.2882	3.4288	5.3223
	(Sp Peseta)	199.058	128.35	83.2291	129.3
Angola	(New Kwanza)	146577.5	94511.3	61299.6	95211.1
Antigua	(E Carr $)	4.1825	2.6968	1.7488	2.7166
Argentina	(Peso)	1.5504	0.9996	0.6483	1.007
Aruba	(Florin)	2.7727	1.7878	1.1594	1.801
Australia	(Aus $)	2.0822	1.3426	0.8707	1.3525
Austria	(Schilling)	16.8312	10.8525	7.0382	10.9329
Azores	(Port Escudo)	244.034	157.35	102.046	158.515
Bahamas	(Bahama $)	1.5509	1	0.6485	1.0074
Bahrain	(Dinar)	0.5848	0.377	0.2445	0.3798
Balearic Is	(Sp Peseta)	199.058	128.35	83.2291	129.3
Bangladesh	(Taka)	61.2808	39.5	25.617	39.7925
Barbados	(Barb $)	3.1155	2.0088	1.3027	2.0237
Belgium	(Belg Fr)	49.2582	31.761	20.598	31.9962
Belize	(B $)	3.0980	1.9975	1.2954	2.0123
Benin	(CFA Fr)	819.380	528.325	342.638	532.238
Bermuda	(Bermudian $)	1.5509	1	0.6485	1.0074
Bhutan	(Ngultrum)	48.6556	31.3724	20.346	31.6046
Bolivia	(Boliviano)	7.2427	4.6699	3.0286	4.7046
Botswana	(Pula)	4.2069	2.7136	1.76	2.7339
Brazil	(Real)	1.3483	0.87	0.5642	0.8764
Brunei	(Brunei $)	2.3221	1.4972	0.971	1.5083
Bulgaria	(Lev)	95.8565	61.807	40.0836	62.2646
Burkina Faso	(CFA Fr)	819.380	528.325	342.638	532.238
Burma	(Kyat)	9.0598	5.8415	3.7884	5.8847
Burundi	(Burundi Fr)	383.99	247.592	160.571	249.426

Friday, September 9, 1994

FINANCIAL TIMES

MARKETS

THIS WEEK

Global Investor / **Gerard Baker in Tokyo**

Signs point to start of a benign phase

Month by month, the satisfying bum of economic recovery is spreading through the industrialised world. The euphonious tone wae first heard two years ago in the US and has moved elowly through the English speaking-world.

In the first balf of this year it has, quite suddenly, resounded through continental Europe, and its faint echo can even be recognised in Japan. Over the summer, economists' forecasts have been trying unsuccessfully to keep up with the published output figures. At the beginning of the year, moat were forecasting G7 growth of a niggardly 1.5 per cent for 1994. At the last count the consensus was close to 3 per cent.

Strikingly, in most countries the recovery has been driven not by consumption, but by industrial production. Factory output in the G7 countries grew at an annualised rate of 6.3 per cent in the first six months of tbe year. In western Germany it is growing at an annual rate of 10 per cent. France is not far behind. Admittedly mucb of that extra output has not left the warehouse yet, as stocks have risen aharply, hut the turn-round is still remarkable.

Eveo more encouraging is tbe fact tbat the dramatic upswing in activity seems to be largely trade-related. Estimatee vary, but tbe net increase in world trade this year could be as high as 8 per cent, the best figure since the late 1980s. That bodes well for a suetainable, widespread recovery.

What does all this mean for tbe global investor, especially one with a nervous eye on the equity markets? The central question is whether the higher corporate earnings which tbe quickening recovery will undoubtedly bring will be outweighed by the rising interest rates that will just as inevitably follow. The key lies in inflation.

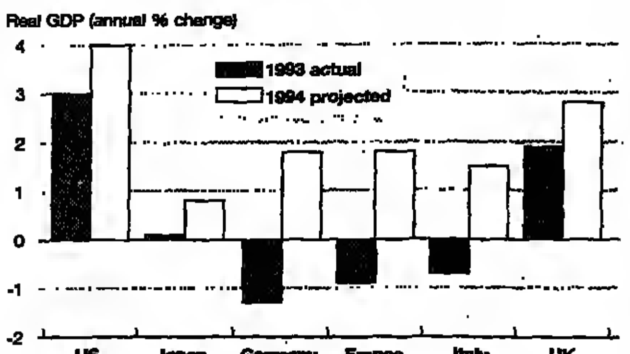
Two years of strong growth in the US are clearly bringing capacity problems. By any conventional estimate the US has either closed, or is oear to closing, its output gap – the difference between trend and actual rates of growth. Capacity utilisation is high, and last week a leading Federal Reserve Board member mueed publicly that the unemploymeot level was close to its "natural rate," below which there is only accelerating inflation. Last Friday's producer price figures confirmed many analysts' worst fears.

Other countriee are less advanced in the cycle, but even in Germany there are worrying signs of early capacity constraints. So there can be little doubt that nearly all of the leading economies have reached the bottom of their interest rate cycles. But that does not necessarily spell the end for equities. What most affecte etock markets is long-term interest rates, and there is good reason to believe that they may not rise much further for some time to come.

The collapse in bond prices in the first six months of the year has given the yield curve an unusual gradient. In Europe and Japan the ratio of 10-year bond yields to 3-month money market rates is now well above historical averages – in Japan's case the bond yield is unprecedentedly high at twice the short interest rate. This will not last.

Bond prices fell and yields rose for two main reasons – investors were expecting higher inflation and were discounting higher ehort-term rates. The riee in short rates (at least in the early stage of this recovery) is thus already mostly discounted. And the inflationary fears are likely to be eased further as confidence grows that central banks will respond to signs of inflation.

Improving prospects for growth



Source: OECD Economic Outlook, June 1994

Total return in local currency to 8/9/94

	% change over period					
	US	Japan	Germany	France	Italy	UK
Cash						
Week	0.09	0.04	0.09	0.10	0.16	0.09
Month	0.38	0.18	0.42	0.45	0.69	0.43
Year	2.56	2.56	5.94	6.06	8.38	5.56
Bonds 3-5 year						
Week	-0.16	0.49	-0.16	-0.12	-0.44	0.08
Month	0.79	0.33	-0.58	-0.82	-2.02	0.50
Year	-1.74	1.94	2.65	0.63	0.90	1.16
Bonds 7-10 year						
Week	-0.57	0.90	-0.55	-0.47	-1.17	-0.28
Month	0.65	1.24	-1.79	-2.31	-3.96	0.50
Year	-6.06	1.04	-1.86	-4.889	-6.15	-2.77
Equities						
Week	0.0	-3.7	-1.0	-2.1	-3.2	-1.1
Month	3.4	-4.6	-0.3	-4.8	-4.2	0.5
Year	6.3	-4.9	14.4	-0.5	13.0	9.1

Source: Cash & Bonds - Lehman Brothers. Equities-© NatWest Securities. The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co. and NatWest Securities Limited.

The US experience is instructive. This year's increases In short-term rates have not been followed by a rise in bond yields. In fact, after last month's increase, long rates actually fell alightly, tipping the yield curve back further towards a more normal gradient.

Of course as ehort rates rise much further, long bond yields are also likely to drift upwards again, hut not immediately, and not at the same pace, as the yield curve starts to flatten. So interest rates have bottomed out, but the rise in short rates should be slow; the rise in longer rates, much of which has already occurred, should be even elower.

That leaves earnings growth. Is there any reason to doubt that it will not fully reflect the recovery? Some have argued that companies will have difficulty in passing on price increases since consumption remains eubdued, though how this squares with fears about inflation will have to remain a mystery.

Much more likely is a strong cyclical recovery in earnings – continuing in the US, accelerating in the UK and starting in the rest of Europe and Japan. And that recovery should have some way to go.

Evidence suggests that a profits recovery lives on well past a turn in the interest rate cycle. New research by the UK etockbrokers, Jamee Capel shows that in Europe etock markets have risen strongly following the trough in interest rates in all cycles since 1975. The analysis shows that average earnings were 14.6 per cent higher two years after rates had bottomed out.

In short the likelihood is that we are now entering that benign phase of the markets' cycle where interest rates rise along with equities, driven by the rapid growth In profits associated with recovery.

Tbe really good news is that faster-flowing trade should help even more. And this time an unusual synchronicity of global economic performance may make the performance even stronger than usual. Of course it will also probably make the fall that much greater in the next phase of the cycle, when interest rates are still rising, but markets fall. But those demons should be put away for another day.

Commodities Kenneth Gooding

Metals set for a quiet week

Metals markets are likely to be quieter than usual this week because many aluminium traders have made their way to Paris for the annual Metal Bulletin aluminium conference which opens this morning.

Meanwhile, many copper traders have descended on New York to attend the annual Metals Week copper conference, followed tomorrow evening by the Copper Club dinner.

Aluminium traders will not give all their attention to the distinguished speakers in Paris until they have seen today'e etatistics from the International Primary Aluminium Institute, giving stock figures for the end of July. These are expected to provide more evidence that the unprecedented international trade agreement, encouraging aluminium producers to cut output, is having an increasing impact on the huge surplus that depressed prices for so long.

Between February, when delegates from six big aluminium producing areas eigned a "memorandum of understanding" about production cuts, and the end of June, producer stocks fell by 141,000 tonnes, or 6.6 per cent.

London Metal Exchange stocks have also fallen – by 104,000 tonnes in July, the biggest single monthly fall since the exchange launched its aluminium contract.

If IPAI stocks also are shown to have fallen in July, it will be only the second time in four years that both IPAI and LME stocks fell in tandem.

Mr Nick Moore, analyst at Ord Minnett, suggested: "The memorandum of understanding clearly is working. But the industry still has a big task ahead." Stocks were still equivalent to 16 weeks of consumption and they needed to be 6¼ weeks before producers could relax. So another 2.8m tonnes – or 40 per cent – had to be cut from combined IPAI and LME stocks of 4.8m tonnes.

Also this week, Dalgety, the agricultural merchant, on Thursday gives its annual harvest review, while on Friday the Opec quota compliance committee meets to discuss August oil production figures.

Economic Eye / **Martin Wolf**

Marital economics

In 1991 there was one divorce in the UK for every two marriages, twice the rate in 1971. More than 30 per cent of all births were outside marriage in 1992, six times as many as in 1961. More than a half of those births were registered by the mother alone or by couples living apart (see chart). Finally, lone-parent families were a fifth of all families with dependent children in 1992, up from a mere 4.5 per cent 30 years before.

Patterns of marriage and child-rearing have been revolutionised in just one generation. Why has this happened? Economics can help provide answers, for marriage is an economic institution: a partnership to rear children.

The characteristics of child-rearing make this partnership necessary. Directly or indirectly, child-rearing is tbe greatest expense most adults bear; an upbringing that equips children for success takes at least 20 years; and a parent can hardly look after children full-time, while earning an adequate living. Sole-parents need someone to look after their children, if they work, or resources from somewhere else, if they do not work. They can manage the first, unaided, only if their earning power is substantially greater than the cost of childcare. That would make them exceptional, by definition. Sole parents can enjoy the second, unaided, only if they are wealthy, which would make them still more exceptional.

The main problem faced by single-parent households is, it is argued, that they are poor. While true, this misses the point. That is precisely why people have found it necessary to combine their resources, inclnding their time, In order to bring up their children.

Marriage regulates this partnership. Its essential feature is enduring commitment. This matters because a parent who forgoes future earning opportunities for the sake of children is taking a large risk. Marriage is worthwhile to the extent that it binds future behaviour. The easier divorce becomes, the less reason to marry. So one reason for a more than three-fold increase in the proportion of children born outside wedlock is that it is "just a piece of paper".

Marriage may no longer embody an enduring commitment. But having children does. To understand the implications, forget gender neutrality, since the tastes of the two sexes evidently diverge. One has a greater preference for having and looking after children. The other has a greater preference for partners who are young. These differences may be the product of conditioning, or they may be biological. It does not matter for this analysis, provided they exist.

Set these differences against the nature and costs of child-rearing, the fact that children are consumption rather than Investment goods and the disappearance of the binding element in marriage. What are the implications? First, women are bound to end up as the caring parents, because men will exploit them: in 1991, 94 per cent of lone-parent families with dependent children were headed by women. Second, men who gain little pleasure from their children will see little benefit to themselves in bearing the costs, particularly if doing so reduces their attraction to other women. Third, women will limit the size of their families to what they find enjoyable.

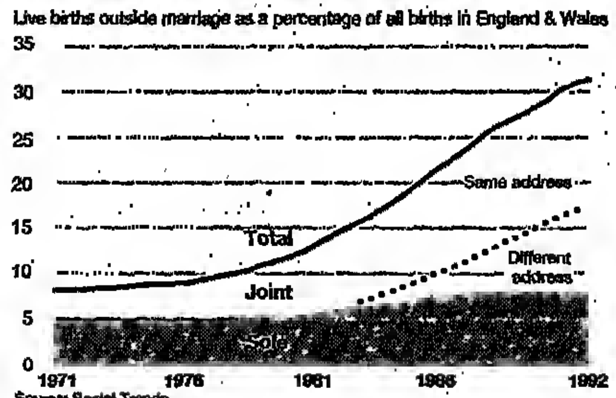
Perhaps the most important implication, however, is that the choice of mate matters more to women than to men, because they end up with the irreversible commitment: the one to their children. Men may propose, but women dispose. The least they will want is someone able and (ostensibly) willing to provide tbe resources needed for rearing their children.

Unfortunately, the proportion of such men is in decline. The labour force participation rate for men aged 15 to 64 shrank from 93 per cent to 83 per cent between 1973 and 1993. There has also been a big increase in the inequality of male earnings. In the late 1980s the ratio of the earnings of men in the top 10 per cent of earners to that of those in the bottom 10 per cent was 3.4 to one. In the late 1970s it had been only 2.4 to one. Women are competing for a reduced pool of useful husbands. The unsurprising result is polygyny (multiple matings by men), mostly serial.

The female search for men with significant earning potential matches the male yearning for younger partners. For the past 20 years the rate of marriage by widowers and divorced men (as a proportion of widowers and divorced men) has exceeded that for bachelors, while the reverse has been true for women: the remarriage rate for widows and divorced women is less than half the marriage rate for spinsters. These differences are sexist and ageist: the positive gap between male and female remarriage rates appears in the 30 to 34 age group and increases rapidly thereafter. So successful older men find new partners; their former sponses, unless divorced young, become single-parents; second families compete for limited resources with first ones; and less successful men enjoy little chance of marriage.

It is possible then to explain the increase in the choice of sole-parenthood by women from poorer classes. It is also possible to explain the rise of eerial polygyny. Bnt most women can still not bring up tbeir children unaided and most men cannot – and, even if they can, do not wish to – aupport more than one family, unalded. There has to be another actor. That actor is the welfare state. The hated Child Support Agency was an attempt by the government to re-privatise coats that had been socialised. Why this has been tried and why it is failing will be the subject of a second column.

The rise of birth outside marriage



Source: Social Trends

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. In conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY SEPTEMBER 9 1994								THURSDAY SEPTEMBER 8 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	%chg since 31/12/93	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/93	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	175.11	4.9	167.40	109.66	140.38	156.35	−4.4	3.61	176.67	169.47	111.01	142.94	157.86	180.15	138.24	142.82
Austria (17)	196.89	7.5	190.14	124.80	159.44	159.39	−4.3	1.00	195.93	187.95	123.11	158.52	158.47	198.89	164.64	175.12
Belgium (37)	175.50	7.9	167.77	110.12	140.68	137.46	−5.2	4.02	174.26	167.15	109.49	140.98	137.78	177.04	143.62	150.57
Canada (104)	135.06	−0.5	129.11	84.74	108.26	133.91	2.9	2.51	135.95	130.41	85.42	109.99	134.76	145.31	120.54	124.31
Denmark (33)	255.53	3.4	244.28	160.33	204.83	211.92	−7.2	1.40	254.50	244.12	159.91	205.90	213.13	275.79	223.94	232.36
Finland (24)	181.70	47.5	173.70	114.01	145.65	190.73	27.4	0.73	177.62	170.37	111.60	143.70	188.28	181.70	104.28	111.55
France (97)	172.43	−2.0	164.83	108.19	138.22	142.90	−12.3	3.06	173.31	166.24	108.89	140.22	144.99	185.37	159.34	166.69
Germany (58)	150.40	7.2	143.78	94.37	120.57	120.57	−4.6	1.71	147.92	141.89	92.94	119.68	119.68	150.40	124.39	128.01
Hong Kong (56)	416.42	−14.6	398.09	261.29	333.81	413.12	−14.9	2.97	415.99	399.04	261.36	336.57	412.69	506.56	282.06	301.45
Ireland (14)	212.82	14.9	203.45	133.54	170.60	195.81	5.7	3.25	213.73	205.02	134.29	172.92	197.59	216.60	161.54	169.82
Italy (59)	79.36	15.7	75.87	49.80	63.62	93.17	6.2	1.67	80.68	77.39	50.69	65.27	95.29	97.79	57.88	75.56
Japan (469)	159.51	22.6	152.49	100.09	127.87	100.09	9.0	0.77	158.79	152.32	99.77	128.47	99.77	170.10	124.54	158.95
Malaysia (97)	582.14	−1.6	556.51	365.28	466.66	573.17	−6.6	1.45	577.58	554.04	362.91	467.30	568.90	621.63	382.03	409.90
Mexico (18)	2298.02	−3.9	2196.84	1441.93	1842.12	8551.43	5.5	1.20	2279.68	2186.74	1432.37	1844.37	8470.72	2647.08	1615.11	1785.74
Netherland (27)	217.03	9.0	207.46	136.18	173.98	171.27	−3.0	3.34	215.74	207.91	136.16	175.36	172.65	218.19	180.25	185.77
New Zealand (14)	75.35	11.0	72.03	47.28	60.40	66.21	2.7	3.61	75.28	72.21	47.30	80.61	66.07	77.59	59.22	61.40
Norway (23)	204.87	14.1	196.85	128.55	164.23	188.62	2.9	1.75	205.76	197.37	129.28	166.47	191.11	211.74	166.52	168.68
Singapore (44)	362.40	−1.4	346.45	227.40	290.51	250.06	−8.2	1.69	363.80	348.97	228.59	294.34	251.39	378.92	265.31	288.27
South Africa (59)	310.16	16.1	296.48	194.61	248.62	305.73	22.1	2.09	311.73	299.02	195.87	252.20	307.76	314.24	176.89	180.73
Spain (42)	141.39	1.5	135.17	88.72	113.34	137.48	−8.8	4.19	141.50	135.73	88.91	114.48	138.76	155.79	128.88	140.97
Sweden (36)	224.70	14.4	214.81	140.99	180.12	251.45	3.8	1.59	223.23	214.13	140.26	180.61	252.43	231.36	175.83	190.53
Switzerland (47)	167.60	4.7	160.22	105.16	134.35	133.64	−9.4	1.82	166.98	160.16	104.92	135.10	134.89	176.56	135.70	137.58
United Kingdom (204)	198.99	−3.0	190.23	124.86	159.62	190.23	−7.4	3.97	200.66	192.48	126.08	162.35	192.48	214.96	161.11	191.65
USA (517)	190.98	0.6	182.57	119.83	153.09	190.98	0.6	2.84	192.98	185.11	121.25	156.13	192.98	196.04	179.95	186.94
EUROPE (718)	173.93	3.3	166.27	109.13	139.42	154.71	−6.3	3.00	174.13	167.03	109.41	140.88	156.03	178.58	153.98	159.13
Nordic (118)	220.34	16.3	210.64	138.25	176.69	210.67	4.3	1.41	216.58	209.65	137.33	176.83	211.09	222.03	173.19	180.49
Pacific Basin (748)	170.22	17.3	162.73	106.81	136.45	111.63	5.5	1.08	169.60	162.68	106.56	137.21	111.35	176.68	134.79	163.11
Euro-Pacific (1466)	171.66	10.7	164.10	107.71	137.60	128.74	0.2	1.90	171.38	164.40	107.66	138.66	129.02	175.14	143.89	161.36
North America (621)	187.51	0.6	179.25	117.65	150.31	187.04	0.7	2.82	189.44	181.71	119.03	153.26	188.98	192.73	175.67	183.07
Europe Ex. UK (514)	156.54	6.1	149.65	98.22	125.48	133.73	−5.5	2.42	156.06	149.70	98.08	126.26	134.61	158.12	134.97	138.70
Pacific Ex. Japan (279)	272.84	−4.8	260.83	171.20	218.72	242.47	−9.2	2.67	273.01	261.88	171.54	220.88	242.71	298.21	200.13	204.22
World Ex. US (1647)	173.42	10.3	165.79	108.82	139.02	132.64	0.7	1.91	173.19	166.13	108.82	140.12	132.94	176.65	145.58	161.30
World Ex. UK (1960)	176.16	7.5	168.43	110.58	141.24	148.77	1.5	2.05	176.58	169.38	110.96	142.86	147.42	178.59	155.96	166.63
World Ex. So. Af. (2105)	177.37	6.5	169.56	111.29	142.16	149.55	0.3	2.24	177.86	170.61	111.75	143.90	150.32	180.03	158.54	166.89
World Ex. Japan (1695)	190.12	1.3	181.75	119.29	152.40	190.63	−2.3	2.84	191.22	183.43	120.15	154.71	182.17	195.20	174.04	176.13
The World Index (2164)	178.21	6.6	170.36	111.82	142.85	150.69	0.6	2.23	178.71	171.42	112.28	144.58	161.46	180.60	158.65	168.83

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 129.... (Local).

EQUITY MARKETS: This Week

NEW YORK
Frank McGurty

Outlook less certain after inflation scare

After being caught off guard by Friday's inflation scare, investors may have to rethink their strategies this morning in anticipation of tomorrow's reading on consumer prices.

A fairly steady outlook for equities became less certain as last week drew to close. Although most analysts had expected an upturn in the August producer price index, Wall Street was approaching the announcement with what proved to be a false sense of confidence. Stocks were expected to weather any bad news with minimal damage.

In the event, share prices tumbled on news of a 0.6 per cent jump in the PPI, a figure which far exceeded forecasts of an 0.4 per cent increase. While Friday's 33 point decline in the Dow Jones Industrial Average hardly qualifies as a disaster, it was enough to give pause to those who had been expecting the market to enjoy a robust autumn.

If this week brings evidence that inflation has been spilling over into the consumer sector, the sell-off in stocks may accelerate, but if tomorrow's figure comes in at about 0.4 per cent, as analysts had predicted before Friday's PPI reading, then there is a good chance that share prices will stabilise.

Economists were busy this weekend reconsidering their earlier estimates. Mr Sung Sohn, chief economist at Norwest in Minneapolis, still believes the CPI is likely to show a more modest increase than the PPI. The former, he points out, is more sensitive to wage pressures, which have remained quite modest. By contrast, the cost of raw materials, which heavily influence producer prices, has risen sharply in recent months.

"It is still quite possible for stocks to do well if inflation is contained at the producer level," says Mr Thomas McManus, stock strategist at Morgan Stanley in New York, in spite of the likelihood that the slide in bonds will drag on for some time.

Mr McManus's view is based on increasing signs that the stock market has entered a phase in which earnings, not interest rates, exert the strongest influence on investor sentiment. Indeed, Friday's decline by stocks was moderate when compared with the big losses suffered by the Treasury market.

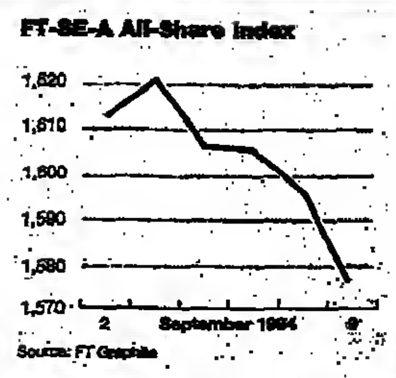
"Companies are really starting to show investors that they have capitalised on a weak dollar and all the restructuring that has been done over the past couple of years," he says.

That may prove to be a mixed blessing. Some observers believe Wall Street has again grown complacent in the expectation of robust corporate profits in the second half of the year.

"The market could well be building itself up for a big disappointment," says Mr McManus, who advises caution. His recommendation is to concentrate on stocks which are directly benefiting from rising industrial prices, such as chemicals, papers and metals.

LONDON
Terry Byland

Analysts still see further rise this year



In a stock market suddenly under attack on its two most sensitive fronts – interest rate prospects and company trading statements – analysts' nerves appear to be holding up well.

The consensus is still that the market has further to advance this year, even if base rates are almost certain to rise and the corporate reporting season has shown it can deliver disappointments as well as delights.

The BTR shocker has been a reminder that general manufacturing earnings have not yet regained pre-recession highs and that these sectors had, in any event, a great deal of ground to recover.

As Kleinwort Benson points out, and BTR admitted, the sharp drop in global inflation rates bears testimony to "a stifling pricing environment". At the same time, costs are threatened by rising raw material prices and pockets of skill shortage.

Meanwhile, the absence of dramas following the monthly meeting between the chancellor of the exchequer and the governor of the Bank of England has left the outlook for base rates unchanged. "UK rates [are] likely to rise by November," says Goldman Sachs flatly – but then adds that any equity weakness presents a buying opportunity.

A similar view is taken by Charterhouse Tilney, where Richard Jeffrey believes higher base rates would be positive for equities by steadying the gilt-edged market. "At this stage of the recovery, a tightening is not to be feared," he says.

Charterhouse believes company profits have "significantly" more to benefit from economic recovery. Smith New Court takes this a stage further by insisting the cyclical sectors, construction, chemicals, engineering and building materials companies, have been abandoned too soon by investors fearful recovery may slacken.

"Our view is that the economic upswing will be more prolonged than is generally anticipated and that cyclicals are a long way from peaking out," the firm says. It believes under-performance by the cyclicals, largely reflecting interest rate worries, overlooks an uptrend in share price relatives of European cyclical stocks.

Smith endorses the view of many in London that rate rises are unlikely to reverse these trends. Its argument would also question the knee-jerk rush back towards the defensive sectors – utilities, food manufacturing and healthcare – seen on Friday afternoon. Earnings estimates in those sectors are still on a downturn, and "outperformance ... is probably a selling opportunity".

None of this will protect the stock market against further shocks in the near term, either in the shape of more interest rate-threatening statistics from the US or discomforting trading reports from British companies.

International offerings

Bolivian utility prepares to erect a milestone

The Cochabamba Light and Power Company (ELFEC) could be a surprising addition to the London Stock Exchange in November if plans to list the Bolivian electricity company's shares go ahead as planned.

The utility, valued at about $33m, is the first from Latin America to seek a London listing in "living memory," according to the stock exchange. More importantly it underlines a significant wider trend.

After a lull earlier this year Latin American companies – in sectors as diverse as telecommunications, retailing and electricity – are again raising capital from international investors.

And increasingly, the investment banks co-ordinating the issues are looking beyond Mexico, Chile and Argentina – their favourite economies in recent years – for potential candidates.

As recently as 1990 it was virtually impossible for Latin American companies to raise international equity finance. Interest first took off with the privatisation of Mexico's telecommunication company, Telmex, in 1991 and last year Mexico and Argentina, another economy undergoing radical liberal reforms, dominated the continent's new international issues, accounting for over 80 per cent of the $6bn in international equity capital raised.

This year successive rises in US interest rates stemmed the flow. The interest of US mutual funds, which fuelled growth in 1993, dropped off. A series of developments, including the assassination of presidential candidate Mr Luis Donaldo Colosio, reminded investors of the political risks.

Since July, however, interest has steadily returned. The governing party's success in last month's Mexican elections helped buoy sentiment.

Governments in countries such as Peru have introduced liberal reforms with some success. Above all there are hopes that stabilisation can be achieved in Brazil following the fall in inflation after the introduction in July of the Real currency plan. The plan's architect and former finance minister, Mr Farnando Henrique Cardoso, is widely tipped to win next month's presidential election.

Reflecting the new confidence, a string of new companies has come to the market in recent weeks. By the end of July, Latin American companies had raised a total of $3bn from international investors. At 47, the number of issues compared with 52 for the whole of last year. Brazilian issues such as Usiminas, the steel group, are among the country's first to come to the market for more than two years.

Several Mexican issues are said to be in the pipeline. A number of Peruvian issues, of which Banco Wiese, the country's second largest bank, is one of the first, are also on the cards.

Bankers say many more smaller companies are seeking international equity. The limit above which Chilean companies were allowed to seek international capital was this year reduced from $50m to $25m.

"You are adding markets and broadening them within certain countries," says a New York investment banker, who has been involved in several issues.

Cochabamba is described as a "Latin American Manweb," by Mr Peter Earl of Fieldstone of Private Capital Corporation, the investment bank helping co-ordinate the listing and offer for sale. He says the issue will be one of the first to be listed in La Paz. It follows the successful US capital-raising exercise last year for the Bolivian Electric Energy Company.

A telling sign of the pace of activity is the competition among investment bankers for the mandates. Fees have fallen sharply, especially in Brazil.

Richard Lapper

OTHER MARKETS

RESULTS

August saw the start of the European first-half results season, covering all the main markets and touching each sector.

Mr Jerry Evans at Kleinwort Benson says that some early trends are becoming clear. Of the 171 larger corporate results, profit growth averaged around 40 per cent. But from the initial figures, sector trends were hard to discern.

However, a large proportion of results came from the cyclical markets and a comparison of capital goods figures suggested that results from the engineering, metals, motors and chemicals sectors had been good or exceeded already high expectations.

The banks' results were disappointing results, mainly due to bond losses, while in the building sector the more competitive environment was to blame.

Pharmaceuticals, on the other hand, were disproving the bears, with increasing sales growth.

Overall, while results had been good, they had not been outstanding.

This suggested, says Mr Evans, that Europe's volatile equity markets were not going to be able to break free, for at least the next month or so, from the present influence of bonds, which nervously await each economic statistic.

STOCKHOLM

Sweden goes to the polls next Sunday and the market is likely to remain sensitive to the opinion polls during the coming week.

UBS notes that a series of polls last week showed support for the Social Democrats, who had been expected to form a majority government, falling below the previous 50 per cent of the total votes.

This begged the question of whether the Liberals, or Left and Greens, would be required to support the incoming government.

The market, meanwhile, is hoping for the Liberals, who are seen as a moderating influence.

ZURICH

The market has been steadier during the past fortnight, after its the weakness during the summer, with the better than expected half-year statements from Roche and UBS providing the inspiration for the change of heart.

The better mood faces another test on Thursday, when half-year profits figures are due from Nestlé, which last week announced the acquisition of Warncke Eiskrem from Unilever as its first step into the German ice cream market.

Half-year figures may also be on the way this week from Zurich Insurance and from Swissair.

MILAN

The market remains plagued by political developments. Crucial this week could be a planned meeting between the prime minister, Mr Silvio Berlusconi, and the trade unions which have threatened to strike over planned cuts in government spending on pensions.

The market would like to see Mr Berlusconi take a firm line, and then win the backing of his cabinet colleagues over the issue.

TOKYO

Japan Telecom's listing last week has left many investors wary of next month's Japan Tobacco flotation, *writes Emiko Terazono*. Although the listing is still six weeks away, domestic institutions are expected to start hedging their positions by selling futures which is likely to prompt arbitrage unwinding, depressing cash share prices.

Meanwhile, profit-taking by banks and corporations, wanting to boost profits ahead of the interim book closing at the end of the month, is likely to continue.

Analysts say banks are especially reliant on profits from their stock holdings this time round since the recent fall in the bond market has constrained them from realising profits on bond portfolios.

HONG KONG

Last Friday's US inflation figures, which were released after the local market had closed, will be at the centre of attention today in the colony, where the Hong Kong dollar is pegged to itse US counterpart and interest rate movements are closely shadowed, *writes Louise Lucas*.

Brokers had been looking for the market to surge following last week's break through the 10,000 level, buoyed by a return of liquidity.

Both Japanese and American money poured into the market last week, partially oiled by the perceived improvement in US-China relations after the visit to Beijing by the US commerce secretary, Mr Ron Brown.

Corporate issues will return to the fore towards the end of the week, when the Jardine group kicks off its interim results.

Jardine International Motors reports on Wednesday, Dairy Farm on Thursday, and Mandarin Oriental and Hongkong Land on Friday.

Market participants will be interested to see if the four elect to follow the parent, Jardine Matheson, and Jardine Strategic Holdings, and delist from the Hong Kong stock exchange in favour of the Singapore exchange at the beginning of next year.

Compiled by Michael Morgan

EMERGING MARKETS: This Week

The Emerging Investor / Vincent Boland in Prague

Market seeks liquidity to join party

In a country with a seemingly unending flow of good economic news, capped in July by an upgrading of its investment rating by Standard & Poor's, the Czech Republic's stock market has been noticeably unable to join the party.

A severe liquidity shortage, caused by a spate of rights issues from quoted companies wishing to boost capital, has left the market drifting sideways. Turnover has fallen sharply from levels seen seven months ago when the market peaked, driven by strong domestic and foreign interest.

"Liquidity should improve after the shares in the second wave [of voucher privatisation] are released," says Mr Pavel Sobišek, head of capital markets research at Zivnostenská Banka in Prague.

Some 860 companies are being sold in the second wave, which is due to be completed before the end of the year.

In the first wave, launched in 1992 when the country was part of federal Czechoslovakia, 185 investment privatisation funds (IPFs) received about 72 per cent of the vouchers from individuals. There are 349 IPFs involved in the second wave, with 64 per cent of the vouchers.

Mr Sobišek believes that the combination of more IPFs, a greater number of individuals who did not entrust their voucher points to the IPFs, and the smaller number of companies is likely to lead to widely dispersed shareholdings. "Some of the funds taking part are too small to be long term investors, and they will be forced to trade," he says.

Turnover currently averages between $10m and $15m per trading session, compared to up to $40m when the market peaked on February 1. Share prices have collapsed, too. The widely quoted HN-Wood index of the top 30 shares is trading between 2,050 and 2,150, a long way from its peak of 3,805, though about 10 per cent above its low point of 1,836 on June 7.

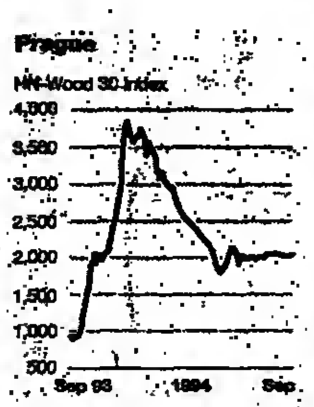
Analysts agree that the favourable economic climate in the Czech Republic provides a sound basis for the market to move ahead. Gross domestic product is expected to rise by 2 per cent this year, reversing four years of declines.

Unemployment, at 3.2 per cent in July, remains remarkably low. The rapid growth of the services sector in the past three years has created thousands of jobs to offset losses in traditional industries. Industrial output in June grew by 8.3 per cent, and construction activity expanded 6.7 per cent in the first half of the year.

Worries over a rise in inflation, however, have been fuelled by a big rise in capital inflows. Last month the Czech National Bank revised its estimate of net inflows to Kcs100bn ($3.4bn) from Kcs60bn and raised the minimum reserve requirements of Czech banks from 9 to 12 per cent to dampen its inflationary impact.

The CNB estimates that official reserves will reach $9bn (£5.8bn) by the end of the year, but it is confident that it can meet its year-end inflation target of 10 per cent. Official reserves stood at a preliminary $5.4bn in July.

Against this background, analysts say that the upgrading of the country's investment rating by Standard & Poor's from BBB to BBB+ in mid-July has increased the attractions of investing in the Prague stock market to foreign investors.



There is already evidence that they are slowly returning. Mr Alexander Angell, director of sales and trading at stockbrokers Wood & Co, says the market has seen "the first signs of German institutional interest" in the last three months, much of it focused on the Czech Power Company (CEZ), the biggest and most liquid stock on the market.

Mr Angell says there is also growing interest from specialist investment funds and from "some investors who may not be able to find the Czech Republic on the map", such as dedicated traders, mainly US-based, in closed-end investment funds, which are behind a sharp rise in the share prices of some of the quoted IPFs.

Trading in IPF shares accounted for up to 40 per cent of market turnover over the past three months, and dealers say about $40m was ploughed into the funds by outside investors in that period.

The interest is mainly in those IPFs – such as Harvard Dividend and Growth Funds, IPF Creditanstalt, and the IPFs run by Ceska Spořitelna and Komerční Banka, the two biggest Czech banks – seen as having quality portfolios and good management, and which trade at substantial discounts to net asset value.

Dealers say that the IPFs offer the best means of getting wide exposure to the Czech economy, and that more selective buying will have to await the ending of the privatisation programme.

Meanwhile, the Prague stock market is set to move to daily trading from September 19 in an attempt to increase turnover and attract more business from the RM-System, a rival exchange which has a nationwide network of branches and affiliated brokerage houses.

The PSE currently trades on Mondays, Tuesdays and Thursdays, while the RM-S offers continuous trading. The RM-S, a privately owned company, was set up to capitalise on the voucher privatisation programme, and has been the main forum used by thousands of small shareholders to trade in shares.

Ten best performing stocks

Stock	Country	Friday 9/9/94	Week on week change $	%
Commercial Bank of Korea	S.Korea	10.5579	2.1406	25.43
Turkiye IS Bankasi (C)	Turkey	0.2091	0.0361	20.85
HM Sampoerna	Indonesia	4.9555	0.7279	17.22
Daewoo Securities	S.Korea	34.9847	5.0128	16.72
Bank Bali	Indonesia	2.7072	0.3636	15.52
Bank of Seol	S.Korea	9.8382	1.2662	14.78
Lucky Securities	S.Korea	21.8654	2.7583	14.44
Magnum Corporation	Malaysia	2.5425	0.3086	13.81
Madeco	Chile	3.4090	0.4045	13.46
United Tractors	Indonesia	2.9596	0.3058	11.52

Source: Baring Securities

News round-up

■ Philippines

The Philippine Stock Exchange said that it was keeping a close watch on dormant stocks to ensure they were not being used by companies wanting to list assets without meeting listing requirements.

Early last week the PSE suspended trading in 10 of at least 20 inactive firms being closely watched, and ordered them to explain rises of up to 50 per cent in their share prices in case they had failed to disclose "material facts" that could have fuelled speculation. The suspension of three of the stocks was lifted last Tuesday.

Exchange officials said that they were concerned that small stocks might become takeover targets for new groups wanting to get round listing requirements. Most small board issues are mining and oil stocks.

■ Hong Kong

Luoyang Glass said on Wednesday that comments made by Mr Guo Xiaohuan, its chairman and managing director, on the projected performance and profits for the second half of 1994 should not be relied upon. China's largest sheet glass maker said that the information had not been reviewed by its financial advisers or auditors.

The Hong Kong stock exchange discourages company officials from making results forecasts which have not been reviewed by independent financial specialists. Nevertheless Luoyang's shares, which closed 4 cents lower at HK$3.89 on Tuesday, surged 17 cents, or 4.4 per cent, to HK$4.06 on Wednesday.

■ Washington

Kleiman International Consultants* produced the 1994 edition of its Emerging Bond and Money Market Guide, promising to send on expanded pages on Thailand and Korea.
Contact: 6215 32nd Place, NW Washington, DC 20015; Tel (202) 686-4200; Fax (202) 686-4646.

■ North Africa

The British Framlington Maghreb Fund has launched a $30.5m investment vehicle for foreign investors in Morocco and Tunisia which, the group said, had been largely inaccessible until recently.

The growth rates in Morocco and Tunisia are estimated at 8 and 5 per cent this year. The fund will be listed in Dublin.

■ Mexico

Foreign investment in Mexican equities rose to $55.4bn at the end of August, an increase of 8.5 per cent from the end of July. The Mexican stock exchange (BMV) said that foreign participation in the Mexican market, including money market instruments, rose to $80.7bn, 8.3 per cent up on the previous month.

■ Hungary

Investor-MKB Befektetesi Alapkezelo Kft, the Hungarian fund manager, plans to launch a closed-end bonus share fund with minimum capital of Ft200m via a public issue. Investment notes with a Ft10,000 face value will be issued at par, and the maturity of the fund will be five years.

● Emerging markets coverage appears daily on the World Stock Markets page

Baring Securities emerging markets indices

Index	9/9/94	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (268)	188.15	+0.64	+0.34	+13.57	+7.77	+19.74	+11.72
Latin America							
Argentina (20)	116.01	-0.99	-0.85	+5.59	+5.06	+0.63	+0.54
Brazil (22)	242.72	-3.88	-1.57	+31.05	+14.67	+103.07	+73.81
Chile (12)	198.75	+0.15	+0.07	+9.74	+5.15	+51.21	+34.71
Mexico (26)	156.08	+3.01	+1.96	+5.87	+3.91	-5.18	-3.21
Peru(16)	751.45	-1.33	-0.18	+33.41	+4.65	+175.36	+30.44
Latin America (96)	178.24	+0.17	+0.09	+12.90	+7.80	+29.00	+19.43
Europe							
Greece (13)	84.87	-0.30	-0.35	-4.44	-4.97	+1.78	+2.14
Portugal (16)	125.48	+2.46	+2.00	+4.14	+3.41	+13.36	+11.91
Turkey (20)	80.06	-2.98	-3.59	-1.84	-2.25	-81.65	-50.49
Europe (49)	102.01	+0.42	+0.41	-0.03	-0.03	-10.23	-9.11
Asia							
Indonesia (22)	162.82	+3.88	+2.44	+19.75	+13.80	-8.22	-4.80
Korea (23)	151.11	+9.41	+6.64	+23.60	+18.51	+41.41	+37.75
Malaysia (23)	251.37	+3.39	+1.37	+23.65	+10.39	-1.68	-0.66
Pakistan (10)	111.32	+0.52	+0.47	-1.84	-1.62	-0.37	-0.33
Philippines (11)	289.28	-11.51	-3.83	+0.85	+0.29	-33.19	-10.29
Thailand (24)	269.68	-5.81	-2.11	+25.29	+10.35	+6.12	+2.32
Taiwan (30)	178.05	+1.68	+0.95	+2.91	+1.66	+24.34	+15.84
Asia (143)	230.82	+1.64	+0.71	+18.59	+8.76	+9.51	+4.30

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

CURRENCIES
Philip Gawith

Dollar stays focus of market attention

The dollar will again be the focus of attention this week after its fall last Friday in the wake of worse than expected August PPI figures.

A host of releases this week will provide the market with a clearer view on the state of the US economy, and hence the likely outlook for US interest rates and the dollar.

The dollar has been in a down trend ever since February, and few observers expect this to reverse until US interest rates are seen to have reached a plateau.

The prospect of rates rising puts a dampener on asset prices, and foreign investors are likely to remain wary of buying US assets so long as the prospect of rising interest rates looms.

The market thought US rates were on hold after the Fed lifted the discount rate to 4 per cent, on August 16. But the PPI figures suggest they may have to rise sooner than previously thought. The CPI tomorrow, and the retail sales figures on Wednesday, will be the key releases.

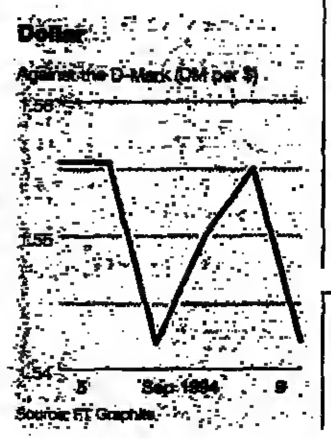
Progress in US-Japan trade talks will also affect the dollar, as the September 30 deadline for the implementation of trade sanctions draws closer.

Upward pressure on the yen could be eased if, on Friday, the Japanese cabinet authorises tax reforms which should stimulate consumption, possibly curbing Japan's large current account surplus.

Markets will also keeping an eye on developments in Germany. On the political front, the focus will be the run-up to the October elections. A victory for Chancellor Kohl is firmly discounted, and this is adding lustre to the D-Mark.

On the economic front, the focus is the Bundesbank council meeting on Thursday. Council members have stressed that rates could fall further, but analysts are not expecting changes this week.

Bubbling on the back burner will be the debate on a multi-tiered Europe, which re-surfaced last week. It has the potential to bolster the currencies of core European countries, at the expense of those with fiscal problems.



WORLD BOND MARKETS: This Week

NEW YORK — Richard Waters

Long-term US bond yields open this week within a whisker of their highest level since the US interest rate cycle turned, and it will take some encouraging consumer price figures on Tuesday to prevent them breaking higher still.

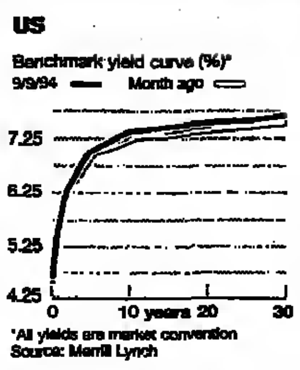
The unexpectedly strong rise in core producer prices in August pushed the yield on the long bond up by 14 basis point on Friday.

At 7.7 per cent, the yield ended the week just two basis points short of its July peak.

The yield on two-year Treasury notes, meanwhile, climbed to a new high of 6.32 per cent as the market anticipated an acceleration in the Federal Reserve Board's programme for tightening interest rates.

The chances of the Fed delaying until the November 15 meeting of its policy-making committee seemed to recede.

Whether bonds lose further ground this week will depend largely on the August consumer price index.



*All yields are market convention
Source: Merrill Lynch

The general view is that higher petrol prices will push the index up by 0.4 per cent, the biggest monthly jump since early 1993.

Excluding food and energy, the index is expected to show a rise of 0.3 per cent compared with July.

Among other figures for August due this week, the bond market will have an eye on retail sales, due on Wednesday, and industrial production, on Friday.

LONDON — Gillian Tett

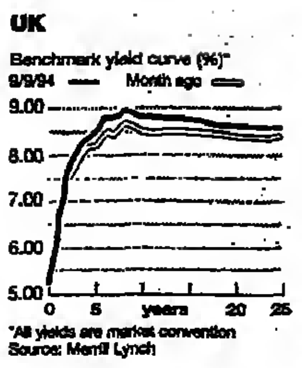
This week could prove to be highly volatile for gilts, as the markets prepare for a spate of crucial UK data and digest the knock-on effects of last week's turbulence on the US bond markets.

The key domestic figures will be the retail prices index and average earnings data on Wednesday. Most analysts expect these to boost gilts by confirming that UK inflationary pressures remain relatively low.

"I think the average earnings data will show that there has been a change in psychology," says Mr Nigel Richardson of Yamaichi International.

He argues that the low inflation outlook is making gilts increasingly attractive to UK institutional investors and that they are likely to outperform US and German bond markets in the coming weeks.

Nevertheless, as Mr Jonathon Loynes, of Midland Global Markets, points out, UK gilts could still be depressed by



*All yields are market convention
Source: Merrill Lynch

international bond market turbulence, particularly from the US, which is exerting more of an influence on gilts than Germany.

A higher than expected US producer prices index last Friday revived concern about US inflation and temporarily knocked up to 1⅛ points off long-dated gilts.

Some analysts warn that this could be repeated if Tuesday's US consumer prices index is also high.

FRANKFURT — Andrew Fisher

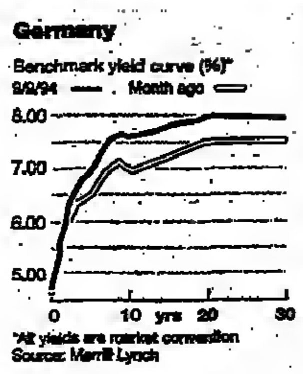
As Germans ponder for whom to vote in the October general election at a time of accelerating economic recovery, the bond market is faced with a different question.

Do German short-term interest rates have further to fall – however little – or is the downward trend now over?

It is not an easy one to answer, especially in light of renewed US interest rate rise fears caused by last Friday's wholesale price data.

Nor is it likely that this Thursday's Bundesbank council meeting will provide any insights. The latest German economic data has reinforced the views of those who expect no more cuts in the discount and Lombard rates. Germany's recovery, they argue, needs no further help from interest rates.

Bundesbank directors were at pains to dampen speculation in the bond market, thrown off course at the start of last week by comments suggesting no more cuts were in the offing.



*All yields are market convention
Source: Merrill Lynch

In the confusion, 10-year Bund yields approached 7.5 per cent. S.G. Warburg said they could soon exceed 7.75 per cent but then tail off to 7.5 per cent as funding pressures ease and political certainty returns.

Those seeing further rate cuts on the horizon point to falling money supply growth and inflation, hopes of moderate wage rises, and a lower government deficit but their optimism could be dashed by events in the US.

TOKYO — Emiko Terazono

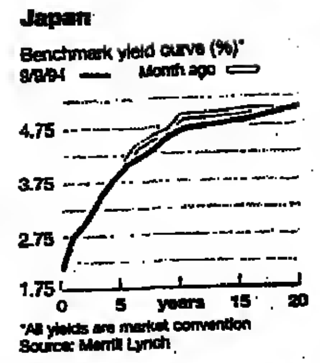
Increasing bearishness on the Tokyo stock market supported government bond prices last week, and the yield on the 10-year benchmark bond fell 21 basis points to close the week at 4.495 per cent.

Traders were also encouraged by comments from the Bank of Japan following the release of the Tankan – the quarterly survey of business sentiment – and statements by the Economic Planning Agency emphasising the fragile nature of the recovery.

Although concern over profit-taking and over-supply persists, traders expect the continued weakness of the stock market and low inflation data to prompt bond buying by institutional investors.

Another likely support for bonds is the currency. Worries in the US over rising inflation is likely to prompt selling of the dollar, in turn lifting the yen.

A high yen, which leads to lower corporate profits and lower import inflation, is likely



*All yields are market convention
Source: Merrill Lynch

to give the bond market a brief boost. However, traders say fluctuations in the futures market do not provide evidence of a rally in the near term.

"A move above Y109 would be required before the chart would look bullish, and such a move over the next week may not be forthcoming, given that there could still be some selling ahead of half-end book closings," says Barclays de Zoete Wedd in Tokyo.

Capital & Credit / **Antonia Sharpe and Martin Brice**

European integration back on the agenda

As European Union finance ministers held cosy fireside chats on economic and monetary union near Lake Constance last weekend, the markets were fervently hoping that they had not forgotten the lessons they had learnt over the past few years.

With many countries in the EU now enjoying economic recovery, it was inevitable that the push for European integration would once again become an important issue on the political agenda.

But despite Emu's low profile during the past two years, the subject remains a contentious one, as last week's speech Mr John Major, by the UK prime minister, condemning the notion of a two-speed Europe, so clearly illustrated.

As far as European bond investors are concerned, their main worry is that French and German politicians will resume their quest for Emu and a single currency without adequate consideration of the economic fundamentals.

"Economic union and political union have to move together. Whenever the politicians moved too fast there was turbulence in the exchange rate mechanism and in the bond markets," said Ms Wendy Niffikeer, senior economist at IBJ International. "If the markets do not believe that Emu is sustainable then it will break down."

Recent proposals by Germany's ruling Christian Democrat party calling for the creation of a "hard core" of five nations – France, Germany, Belgium, the Netherlands and Luxembourg – have set alarm bells ringing.

Analysts fear markets could be in for renewed volatility if the issue of a two-speed Europe takes centre stage.

Mr Glenn Davies, economist at Crédit Lyonnais in London, said: "I have my doubts about whether this factor is having much impact yet, but any country that looked like it was going to be left out [of the inner core] would suffer."

Mr Ken Wattret, international economist at Midland Global Markets, agreed. "If we do get an inner core, then a higher risk premium will be attached to Italy, Spain and some of the Scandinavian countries which are likely to be left out," he said.

If some countries were to go forward without the others it would inevitably lead to yield spreads widening between the high-deficit countries and the inner core.

Although the UK has ruled itself out of Emu for now, because of sterling's suspension from the ERM, its progress on inflation and reducing its budget deficit would allow it to qualify for an inner core, analysts say.

As a result, some believe UK bond yields would not suffer if the UK decided to remain outside Emu, either due to a lack of domestic political support or because of the government's desire to hold on to a floating exchange rate.

"If the UK did not join in, this would not imply that gilt yields would have to go as high as Italy's or Spain's," said Mr David Miles, senior UK economist at Merrill Lynch. He noted that by 1996, the UK's budget deficit would be well below 3 per cent of gross domestic product, one of the guidelines set down as a qualification for entry into Emu.

Yields on Danish bonds could also be protected against any widening. Although Denmark has an opt-out from the third phase of Emu, it has said it would meet the Maastricht convergence criteria by 1997, even if it did not join the hard core.

As a result, Danish bonds would continue to be judged on fundamentals, said Mr John Hall, European economist at Swiss Bank Corporation.

By contrast, Belgium's high budget deficit has cast doubts over its eligibility to be part of an inner core. IBJ estimates its budget deficit is likely to run at 5.8 per cent of GDP this year. However, the new government has presented further savings.

The most obvious casualties would be the high-yielding bond markets of Italy and Spain, which would suffer if investors believed their progress towards economic convergence were insufficient.

"The question for Italy is fiscal policy. We feel Spain is doing well and will continue to do well. But I don't think the risk-reward is attractive in Italy," said Mr Hall.

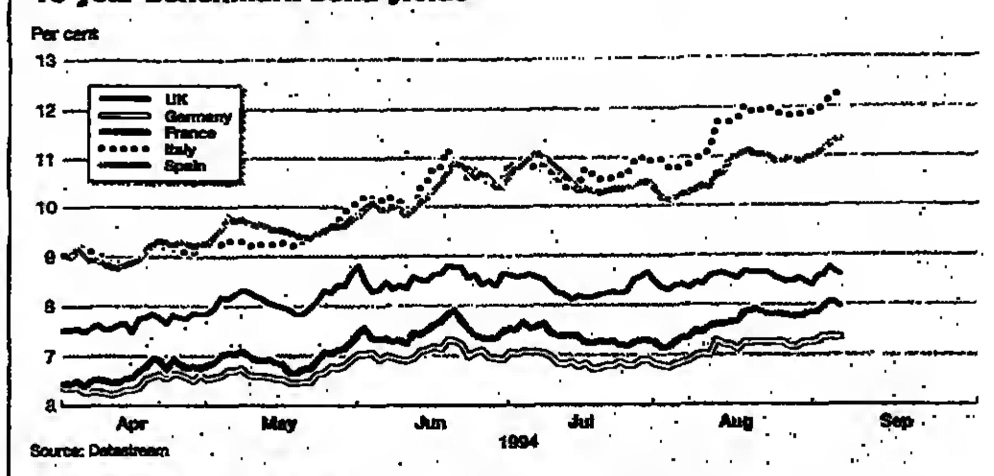
Meanwhile, some investors have been quick to look for opportunities created by Emu's renewed publicity. Mr Hall said Ecu-denominated bonds would benefit from any form of Emu, since the Ecu's status as the EU's single currency would increase in importance.

"With Ecu bonds trading at 105 basis points over Germany and 50 over France, that has to be good news for Ecu bondholders," he said.

Before the CDU's proposals for an inner core were announced, the yield on the 10-year Ecu bond was 16 basis points over its theoretical counterpart, that had narrowed slightly to 14 basis points towards the end of last week.

After a difficult year so far, investors are hardly relishing the thought of yet another factor which could destabilise bond markets. But with Germany and France likely to be banging the drum ever louder for a two-speed Europe, the issue is unlikely to go away.

10 year benchmark bond yields



Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	4.00	1.75	4.50	6.40[1]	7.50	5.25[2]
Overnight	4.63	2.13	4.81	5.25	7.87	4.88
Three month	4.70	2.28	4.91	5.50	8.56	6.26
One year	5.67	2.68	5.40	6.25	10.37	6.62
Five year	7.04	3.91	6.96	7.68	12.29	8.49
Ten year	7.42	4.55	7.58	8.12	12.15	8.79

[1] France-Repo rate. [2] UK-Base rate. Source: Reuters.

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	102-10	100-22	-1-20	102-14	100-17	8,397	124,434
Dec	101-14	99-25	-1-21	101-19	99-20	215,223	312,632
Mar	100-29	99-03	-1-20	100-29	99-30	830	7,647

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

[illegible]	[illegible]	[illegible]	[illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

[illegible]	[illegible]	[illegible]	[illegible]

International / **Graham Bowley**

Ireland finds progress difficult

Given Ireland's recent impressive economic performance – high growth, coupled with low inflation and a healthy government budget deficit – the outlook for the country's government bond market should be bright. However, until a better tone returns to other world government bond markets, progress for the Irish market will be difficult.

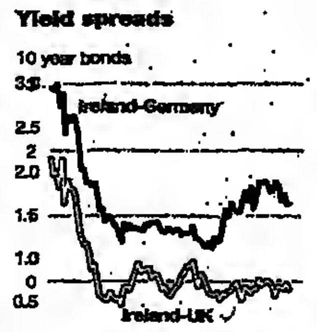
Irish gilts have not been spared the dramatic fall in prices that has afflicted most of the world's government bond markets in 1994. Since their trough in February of this year, the yield on Irish gilts has risen by about 2.5 percentage points to 8.7 per cent.

The yield spread against Germany widened from 0.5 to 1.7 percentage points between January and June, although it has since narrowed to about 1.2 percentage points as Irish gilts, in line with their British counterparts, have outperformed the rest of Europe.

Yet the concerns that weighed down other markets, fear of rising inflation and higher interest rates and worries about a flood of new bonds to fund large government budget deficits, in the main part do not apply to Ireland.

High unemployment, strong productivity gains, and an incomes policy aimed at restricting wage growth has

Yield spreads



Source: Datastream

kept the annual inflation rate at around 3 per cent, with little risk of it moving higher. Cuts in public spending, tax increases and economic growth have helped the government reduce its annual budget deficit to a sustainable 2.3 per cent and make inroads into the stock of national debt, although at 88 per cent of GDP this is still one of the highest in Europe.

With about I£50m to I£100m of net gilt sales remaining for the rest of this year out of a total of about I£1.6bn, the Irish gilt market has few supply worries.

The only credible concern for the Irish government bond market is that of rising short-term official interest rates. The Irish monetary cycle is closely linked to that of the UK and if the British authorities raise interest rates, the Irish central bank will find it difficult not to follow suit.

"The best we can hope for is that interest rates remain static for the rest of 1994," said Mr Alan McQuaid, economist at Goodbody Stockbrokers in Dublin. "Our view is that the UK will raise rates before the end of the year. There may be some lag, but the strong link between the punt and the pound means that Ireland will have to follow."

That long-standing link between the Irish currency and sterling was temporarily broken when Ireland joined the ERM in 1987 and the punt became effectively pegged to the D-Mark.

"Ireland successfully adopted a monetary policy independent of the UK and Irish gilts traded off bunds [German government bonds]," said Mr Alan Sutherland, investment manager at Standard Life in Edinburgh. "With the break-up of the ERM in 1992, however, Ireland reverted to being a UK satellite, with Irish gilts tracking UK gilts."

Ireland's entry into the ERM also changed the make-up of the Irish gilt market, a large proportion of which, about 25 to 30 per cent, has traditionally been held by overseas investors.

While the punt tracked the D-Mark, long-term German investors were attracted into the Irish market, holding about 20 to 25 per cent of government bonds. With the demise of the ERM, however, they left, to be replaced largely by UK and US investors, which along with continental European investors each hold about 10 per cent of the Irish gilt market.

Ireland received a boost last month when Moody's, the credit rating agency, upgraded the country's foreign debt rating to Aa2. The Irish authorities are also attempting to improve the attractiveness to foreign investors of the Irish government bond market.

As well as launching a new 10-year futures contract to be listed on the Irish Futures and Options Exchange, they hope to improve liquidity by an overhaul of government bond trading, replacing the current order-driven system with a market-making system similar to that used in the UK.

The IRA ceasefire may also improve sentiment and focus the attention of international investors on Ireland's favourable economic fundamentals.

However, any support these developments may provide will only become apparent in the long run.

"They are all positive factors, but in the short run a lot will depend on what happens in other bond markets, in particular in the UK gilt market," said one bond analyst. "There's no getting away from the fact that what happens in Ireland will continue to be dictated by what happens in the UK."

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Ssangyong Oil Refining(a)§	50	Dec.2004	3.00	100.00	-	-	Paribas/ Ssangyong
ICTSI(b)§	60	Sep.2001	(4½-5)	100.00	-	-	Jardine Fleming
City of Yokohama	250	Sep.2004	7.625	99.414R	7.711	+35(7¼%-04)	Bk. of Tokyo Capl.Mkts.
Cemex	300	Sep.2001	9.50‡	100.00R	9.300	+240(l)	Bankers Trust Intl.
Crédit Local de France	200	Oct.1996	6.75	98.57R	6.877	+10(l)	IBJ International
Unibanco/ Unibanco Leasing	70	Sep.1997	10.50‡	100.00	10.50	+403(6½%-97)	Swiss Bank Corp.
Depfa Finance(l)	150	Oct.1996	5.375	99.88R	5.44	+15(6¼%-96)	Daiwa Europe
Swedish Export Credit	150	Oct.1997	6.75	101.1375	6.322	-	Swiss Bank Corp.
Nationwide B/S(j)‡	50	Oct.1999	(f1)	100.00	-	-	Sakura Finance Intl.
YEN							
New Sth.Wales Treasury Crp.	40bn	Sep.1997	3.50	99.99R	3.504	-	Nomura International
DSL Bank	10bn	Sep.1999	4.38	100.00R	4.38	-	Salomon/Nikko Fin.
Seiyu(d)★	20bn	Dec.1999	4.45	100.075R	-	-	Nomura International
Seiyu(d)★	10bn	Dec.2001	4.85	100.225R	-	-	DKB International
Landesbank Rheinland-Pfalz	10bn	Sep.1999	4.21	100.00	4.210	-	Salomon Brothers Intl.
STERLING							
Pearson Sterling Two	125	Oct.2004	9.50	99.329R	9.607	+75(6¾%-04)	NatWest Capital Mkts.
First 4(d)‡‡	65	Sep.2010	(e1)	99.85R	-	-	Baring Brothers
Coventry Building Society(g)‡	100	Sep.1997	(g1)	99.81R	-	-	Kleinwort Benson
FRENCH FRANCS							
Abbey Natl.Treasury Services(l)	2bn	Dec.1998	7.50	99.46R	7.63	+24(6½%-98)	CDC/ M.Lynch France
Santander International	2bn	Oct.2004	8.375	99.638R	8.430	+43(6½%-04)	JP Morgan & Cie.
Argentaria Global Finance	1.5bn	Oct.1997	7.375	99.73R	7.478	+39(8½%-97)	Crédit Lyonnais
CANADIAN DOLLARS							
Republic of Argentina	100	Oct.1997	10.50	99.97R	10.51	+229(l)	Paribas Capital Markets
Ford Credit Canada(l)	150	Oct.1999	9.00	99.325R	9.174	+40(7¾%-99)	Wood Gundy
ABB Finance	100	Oct.1997	8.375	99.79R	8.457	+15(l)	Swiss Bank Corp.
Ireland	200	Oct.1997	8.375	99.93R	8.402	+15(l)	Daiwa Europe

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
D-MARKS							
Compagnie Générale des Eaux	300	Oct.1999	7.25	99.96R	7.260	+45(6¾%-99)	BHF-Bank/ CCF Fin.
Deutsche Bau & Bodenbank‡	100	Oct.1999	(c)	99.85	-	-	WestLB
Baden-Württemberg L-Finance	500	Sep.1998	6.75	99.795R	6.810	+5(6¾%-98)	Salomon Brothers
SüdwestLB Capital Markets(l)	300	Oct.1998	6.875	99.966R	6.885	+15(5¾%-98)	Morgan Stanley Intl.
BMW Finance	250	Oct.1999	7.25	100.25R	7.189	+30(6¾%-99)	Dresdner Bank
Rabobank Nederland	300	Oct.1999	6.75	101.415	6.410	-	DG Bank
ITALIAN LIRE							
Abbey Natl.Treas.Services	250bn	Oct.1997	11.50	101.055	11.07	-	Swiss Bank Corp.
SKCF	150bn	Oct.1999	11.50	101.635	11.05	-	JP Morgan Securities
AUSTRALIAN DOLLARS							
National Australia Bank	100	Oct.1998	9.50	101.55	9.100	-	Hambros Bank
SWISS FRANCS							
LW Rentenbank★	100	Oct.1998	5.125	101.30	4.431	-	Banque Paribas(Suisse)
Bayerische Landesbank(b)	100	Oct.1998	5.375	102.25	4.745	-	Credit Suisse
LUXEMBOURG FRANCS							
Commerzbank(l)	2.5bn	Dec.2001	8.375	102.55	7.89	-	Crédit Européen
Eurofima	4bn	Oct.2004	8.50	101.875	8.218	-	BCEE/ BGL
Crédit Commercial de France	2bn	Nov.1998	8.125	102.30	7.556	-	BCEE

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ‡Floating rate note. ¢With equity warrants. ★Unlisted. @Semi-annual coupon and yield. R: fixed re-offer price. a) Convertible into non-voting shares at Won25,100. FX: 800.5Won/$. Callable from 12/9/97, subject to 140% hurdle, at par. b) International Container Terminal Services, Philippines. Conv price: pesos29.96. FX: 26.1551pesos/$. Callable after 3 yrs, subject to 140% hurdle, at 104% falling 1%pa to par. c) 6-mth Libor +⅛%. d) Average life: 4.52 yrs. Callable on coupon dates from Sep.99 at par. Junior tranche: 29m. e) 3-mth Libor +30bp to Sep.99 & +60bp thereafter. e1) 3-mth Libor +30bp. f) Pricing: approx 22/9/94. Indicated linked to Libor: min 3½%, max 9½%. f1) 3-mth Libor +40bp. Reset cap: 60bp. g) Callable in Sep.96 at par. g1) 3-mth Libor +12½bp. h) Long last coupon. § Over interpolated yield. l) Long 1st coupon. j) Short 1st coupon. Note: Yields are calculated on ISMA basis.

CONFERENCES & EXHIBITIONS

SEPTEMBER 19-20
Business Process Re-engineering (BPR)

Continuing series of seminars for managers charged with designing and implementing BPR initiatives. Presented by leading US practitioner and BPR author. Proven 'how-to-do-it' implementation guide illustrated with case studies and workshops. Course book also available. Over 50 organisations in the private & public sectors have already attended. Repeated November 21-22.
Contact: Richard Parris, Vertical Systems Intercede Ltd
Tel: +44-455-250266 (24 hours)
Fax: +44-455-890821

LONDON AREA

SEPTEMBER 19-22
Fire 94

The national conference & exhibition for the whole fire protection profession, featuring a wide range of the latest fire safety equipment and services.
Contact: Jane Malcolm-Coe
FMJ International Publications Ltd.
Tel: (0737) 768611. Fax: (0737) 761685

BOURNEMOUTH

SEPTEMBER 21 & 22
FT Retailing Towards 2000

The meeting will examine the need for the retail industry to exploit the opportunities that new markets and new technologies are offering as well as the fundamental business challenges of maximising profits and controlling costs.
Enquiries: Financial Times
Tel: 081 673 9000 Fax: 081 673 1335

LONDON

SEPTEMBER 22
Latin American Financial and Business Briefing

Economists, academics and business leaders from six Latin American countries outline the financial and business opportunities in the region, including Brazil, Argentina, Mexico, Peru, Chile and Venezuela. Sponsors: IEA/Atlas.
Cost: £200 + VAT
Contact: Melanie Jones at Conference Profile
Tel: 071 236 4938 Fax: 071 236 1889

LONDON

SEPTEMBER 22
Supplying the Demand: Keeping your customer in a changing world

One day Strategic Planning Society & ESRC Conference

We live in a world of consumer choice. The old marketing concept of supply and demand needs updating. Marketing strategy must acknowledge socio-economic changes and demographic trends in order to maintain competitive advantage.
Contact: Jo Mainee,
The Strategic Planning Society
Tel: 071-636 7737

LONDON

SEPTEMBER 22
CBI Annual Pensions Conference

Conference, in association with William M Mercer Ltd, Considers company pension policies and Government strategies in light of legislative cahnges. Keynote speaker, William Hague, Minister of State for Social Security.
Contact Sandra Aldred
CBI Conferences
Tel: 071 379 7400 Fax: 071 497 3646

LONDON

SEPTEMBER 28
Employers and Disability

CBI Conference considers the likely impact on a wide range of business activities and employment practices resulting from Government proposals for changes to the law on disability.
Contact: Nicola Martin, CBI Conferences
Tel: 071 379 7400 Fax: 071 497 3646

LONDON

SEPTEMBER 27
Highways to Manufacturing

CBI Conference, in association with BT, brings together leading exponents to examine developments in information and communication systems and their important role in company strategic planning.
Contact Georgina Kingsby
CBI Conferences
Tel: 071 379 7400 Fax: 071 497 3646

LONDON

SEPTEMBER 26/27
European Equities Investment Management

Queen Elizabeth II Conference Centre, London.

Major international conference on pan European investment strategy featuring analysis of the growth of the institutional and investor base in Europe and including 16 country/sector workshops.
Contact: Alison Elgar, Dow Jones Telerate
Tel: 071 832 9532 Fax: 071 353 2791

LONDON

SEPTEMBER 27
User Protection in System Procurement

A one day briefing from NCC's Legal Group on rights and responsibilities in software procurement. Practical and directly relevant to Legal Advisors and Company and IT Management. £250.00 + VAT. Fax for further information or provisional booking to Marie Dwyer, NCC on 061 236 8049 or Tel: 061 228 6333

LONDON

SEPTEMBER 27-28
Empowering Flexible Work Teams

Implemented skilfully, the operational team adds real value to the work of each worker performance. A first-class line up of practitioners relate their experiences.
Contact: Sarah Williams or Rachel Thomas
IBC Technical Services
Tel: 071 637 4383 Fax: 071 631 3214

SOLIHULL

SEPTEMBER 27-29
PPMA Show

The UK's premier Show for processing and packaging machinery. Over 200 standholders representing 500 international machine manufacturers. Equipment to process and pack good, pharmaceuticals, cosmetics, chemicals, beverages, confectionery etc. Free daily seminar on CE Mark regulations.
For tickets contact Melinda Scales
Tel: 081-681 8226 Fax: 081-681 1641

NEC, BIRMINGHAM

SEPTEMBER 28
The Third Age of Financial Services

The opportunities in the 50+ markets.
A joint conference organised by Age Concern England and The Henley Centre, designed to help those companies interested in marketing goods and services to the 50+ age group.
Cost: 335 + VAT
Contact: Anna Harman at The Henley Centre
Tel: 071 353 9961

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SEPTEMBER 29
Ernst & Young Transfer Pricing Conference

Implications for multinationals of 1994 OECD Report and Final US Regulations.
Price: £100.00 plus VAT
Contact: Tina Devonport, Ernst & Young
Tel: 071 931 2295 Fax: 071 242 5862

LONDON

SEPTEMBER 29
South Africa

A Cityforum conference featuring Chris Stals, Sir Evelyn de Rothschild, Elizabeth Bradley, Robert Guy, Basil Hersov, Gary Maude, M J Levett, Lucia van der Post. Sponsors: South Africa Foundation, Rothschilds/ Smiths New Court, Clifford Chance, Coopers & Lybrand.
Information from Cityforum:
Tel: 0225 466744 Fax: 0225 442903

LONDON

SEPTEMBER 29/30
Telecommunications Billing Systems '94

Information for Competitive Advantage
Royal Lancaster Hotel, London, W2
29th/30th September 1994
Worldwide Forum for Billing Systems professionals
Last year attended by over 200 people
Tel: (071) 274 8725 for details

LONDON

OCTOBER 3 - NOVEMBER 21
FT City Course

This course is designed to provide participants with an overview of all the workings of the City of London, paying particular attention to the banking and securities markets.
Enquiries: Financial Times
Tel: 081-673 9000 Fax: 081 673 1335

LONDON

OCTOBER 3
Strategies for Handling Pregnancy & Maternity Leave in the Workplace

Every company must review its employment contracts and its approach to maternity and equal opportunities. This conference offers practical advice on the management of these changes looked at from the personnel professionals perspective.
Further details from International Professional Conferences Ltd.
Tel: 061 445 8623

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OCTOBER 3-5
LAFFERTY'S 1st International Wealth Management Convention

Four distinct but related conferences - a MUST for anyone in the affluent market - an area which offers enormous profit opportunity for providers of financial and professional services: Global Wealth Briefing, Private Banking, Investment Management & Dealing, Personal Financial Planning Conference
Contact: Elaine
LAFFERTY CONFERENCES, Dublin
Tel: (+353-1) 671 8022
Fax: (+353-1) 671 3594

LONDON

OCTOBER 4 & 5
FT International Infrastructure Finance

Build-Operate-Transfer (BOT) projects are set to play an important role in major infrastructure schemes worldwide. This two-day event will examine the billion dollar business opportunities for contractors and suppliers to the industry.
Enquiries: Financial Times
Tel: 081-673 9000 Fax: 081 673 1335

LONDON

OCTOBER 4
Managing a growing business

If not managed effectively, growth can lead to difficulties in such areas as cashflow forecasting, pricing policy, asset management, appropriate financial structure and systems, and tax planning. This one-day conference, in association with TSB Commercial Finance, will help entrepreneurs examine some of the techniques in managing these key areas as their business grows.
Director Conferences 071 730 0022

LONDON

OCTOBER 4
Pensions Now

A one-day conference covering Pensions Equality; SERPS - breaking the link; proposed minimum solvency requirements; the proposed new regulatory regime and compensation scheme; the extra burdens these will add; being a pension scheme trustee; plus the viewpoint of a scheme sponsor.
Contact: The Conference Manager, Gee Publishing Ltd.
Tel: (071) 538 5386 Fax: (071) 538 8623

LONDON

OCTOBER 5/6
Auditing the Dealing room

(Understanding the Treasury functions)
Training designed specifically for internal auditors and bank inspectors charged with examining the activities of their institutions' Treasury dealing operation - cash markets and derivative products. £480 + VAT.
Lywood David International Ltd.
Tel: 0959 565820 / 0956 323184
Fax: 0959 565821

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OCTOBER 6
BRAZIL 95: Opportunities in an Environment of Economic Stabilisation

The GAZETA MERCANTIL seminar, aimed to analyse the prospects of Brazilian economy, following the stabilization program - Plano Real. Chaired by the Brazilian Ambassador, featuring high-level speakers. The event will be followed by cocktails in celebration of the opening of BB Securities Ltd.
Contact: Ms Claydo da Silva, BB Securities Ltd
Tel: 071 216 4200 Fax: 071 216 4206

LONDON

OCTOBER 6
International Business Outlook

World business leaders and noted economic analysts will help you plan strategy and tactics for 1995, offering insights into changing business conditions in the United States, Europe and Asia, with special emphasis on shifts underway in China.
Contact: The Conference Board Europe in Brussels
Tel: 32.2/675.54.05 Fax: 32.2/675.03.95

LONDON

OCTOBER 6
Public Procurement of Insurance, Banking & Financial Services

The directives, regulations and the practice; how to claim damages for unfairly awarded tenders; view from the public sector; view from an insurance broker; view from private sector; how to put together the winning bid. CPD 4 hours. Documentation available 108.
Contact: Helen Houseman, IBC
Tel: 071 637 4383 Fax: 071 631 3214

LONDON

OCTOBER 6-7
Managing Organisational Change

Today's leading companies view change as an opportunity and an essential part of doing business. Experienced business executives will explain their companies' best practices in using key tools for managing change.
Contact: The Conference Board Europe in Brussels
Tel: 32.2/675.54.05 Fax: 32.2/675.03.95

LONDON

OCTOBER 11
Measuring the value of I.T. Investments

This conference discusses how to assess the value of I.T. projects and prioritise I.T. investment successfully. It presents guidance from leading academics and consultants, as well as insights from the experience of major organisations, in both the private and public sector.
Contact: Business Intelligence
Tel: 081 543 6565 Fax: 081 544 9020

LONDON

OCTOBER 11 1994
The Water Industry - Looking Forward from the Periodic Review

A CRI seminar assessing the regulatory framework for the next ten years and the impact of the new price limits for the water companies, shareholders and customers. Ian Byatt will give the keynote address. Speakers from companies, customer groups, the city and the NRA. Cost £299 + VAT.
Contact: Leigh Sykes, CRI
Tel: 071 895 8823 Fax: 071 895 8825

LONDON

OCTOBER 11/12
Practical Dealing course - Foreign exchange

Training in spot and forward forex dealing for trainee/junior dealers and Corporate Treasury personnel, Highly participative including WINDEAL (PC based dealing simulation) Training effected by practitioners with many years' experience. £480 + VAT.
Lywood David International Ltd.
Tel: 0959 565820/0956 323184
Fax: 0959 565821

LONDON

OCTOBER 12 - MAY 26
Financial Awareness for Managers

Over 10 1-day tutorials this course covers interpretation of financial statements, investment appraisal, working capital, management accounting and business analysis. Delegates receive a copy of the Certified Diploma Open Learning Programme - a comprehensive 2,000 page guide to finance and accounting for the non-accountant.
Contact: Yoel Gordon, ACCA
Tel: 071 396 5722 (24 hours)
Fax: 071 396 5790

LONDON

OCTOBER 13
Opportunities in Germany for Real Estate

An inside view to all aspects of property-related investments in Germany. Topics include Developments, Conveyancing, Legal, Financial, Environmental & Commercial Issues, Experience of Foreign Contractors. German & British speakers include DTI, Treuhandanstalt, Architects, Constructors, Lawyers, Banks.
INTERFORUM Tel: +44 (0) 71 386 9322
Fax: +44 (0) 71 381 8914

LONDON

OCTOBER 13
Understanding Property Valuation and Accounting

Different values of a property; methods of valuing different property types; current property accounting issues; sale & leaseback; leading banker's and property valuer's views; special issues for property companies; RICS Working Party (Mallinson Report) CPD 4 hours. CPE 7.5 points. Documentation available 130.
Contact: Helen Houseman, IBC
Tel: 071 637 4383 Fax: 071 631 3214

LONDON

OCTOBER 13
China Investment, Patent & Trade Mark Conference

Held within framework of Industrial Property Programme for China financed by the EC. Topics include Economic Cooperation & Trade Relations between China & Europe, Patent & Trade Mark Protection, Industrial Property Law Enforcement. High Level Chinese delegation including Foreign Trade Ministry, Trade Mark Organisations, EPO, UK Patent Office & Industry Representative.
INTERFORUM Tel: +44 (0) 71 386 9322
Fax: +44 (0) 71 381 8914

LONDON

OCTOBER 13 & 14
Natural Gas: Trade & Investment Opportunities in Russia and CIS

Speakers from FSU will include Mr Vyakhirev, President of Gazprom; Mr Yasin, Head of the Presidential Analytical Centre; Mr Ochertsov, Deputy Prime Minister of Turkmenistan and Mr Bogdanchikov from Sakhalinmorneftegaz.
Contact: The Royal Institute of International Affairs
Tel: 071 957 5700 Ext 298 Fax: 071 321 2045

LONDON

13 & 14 OCTOBER 1994
The Management of Product Safety & Quality

Product Safety & Quality are the responsibility of everyone concerned in the production of goods. This seminar will provide opportunities to hear clear and practical explanations by leading experts.
Further details from International Professional Conferences Ltd.
Tel: 061 445 8623

LONDON

OCTOBER 17 & 18
FT World Mobile Communications

This two-day conference will bring together key speakers to share their views on the growth of mobile communications, the various technologies being adopted and new operator strategies.
Enquiries: Financial Times
Tel: 081-673 9000 Fax: 081 673 1335

LONDON

OCTOBER 17-18
Employee & Union Participation for Change

A two-day UK industry conference
Tom Burlison, GMB, and Tom Sawyer, Unison are just two of the speakers examining partnership agreements between unions, management and employees for more effective working. Many companies will be represented by management and unions sharing the same platform.
Contact: Rachel Thomas or Sarah Williams
IBC Technical Services
Tel: 071 637 4383. Fax: 071 631 3214

LANGHAM-HILTON

OCTOBER 18 & 19 1994
Increasing Business by Telephone

October 18 - Incoming Call
October 19 - Outgoing Call
Dealing with incoming enquiries in pro-active sales call, delegates learn how to maximise the potential of every call.
£195 + VAT per day, fully inclusive. Book both days together for same delegate for £50 reduction - £340 + VAT
Contact: STRUCTURED TRAINING 0926 337621

MANCHESTER

OCTOBER 18-19
Management Buyouts - The Way Forward

Acquisitions Monthly's 10th Anniversary Conference provides a forum for discussion and information sharing. Topics include: the climate for future buyouts; structuring the transaction; trends in smaller buyouts; living with your investments; vendor attitudes and many more.
Contact: Acquisitions Monthly -
Tel: 0171 823 8740 Fax: 0171 1581 4331

LONDON

OCTOBER 18-19
Introduction to Foreign exchange and Money Markets

Highly participative training course covering traditional FX and Money markets (Sterling & Eurocurrencies). For Corporate treasury personnel, trainee dealers, treasury marketing executives, financial controllers, systems and other support personnel.
£480 + VAT
Lywood David International Ltd.
Tel: 0959 565820 / 0956 323184
Fax: 0959 565821

LONDON

OCTOBER 18/19
Practical Documentary Credits

Trade finance training for financial institutions and export/import company personnel. Presentations, practical exercises and discussion on Doc Credits, handling discrepancies and the UCP 500 procedures to clarify understanding of all issues. £480+VAT.
Lywood David International Ltd.
Tel: 0959 565820/0956 323184
Fax: 0959 565821

LONDON

OCTOBER 16
Small Business Bureau: Skill Will Win

Featuring a structured programme of speakers and advisors drawn from the financial, political and business sectors, this 18th national conference aims to offer practical advice and guidance for all areas of small business. Speakers include: Michael Hoffman, John Redwood, an advisory panel from the Midland Bank, Mike Swalwell and Lord Archer.
Contact: Alan Cleverly OBE
Tel: 0276 452010 Fax: 0276 451602

FRIMLEY GREEN, SURREY

OCTOBER 16
Practical BPR - Implementation Issues

2nd Annual Conference of the BPR Study Group (200+ members)
New (never disclosed before), recently successful Case studies presented with interactive sessions from senior management and practitioners. Lively discussions and demonstrations including speakers from Citibank International, Nationwide Building Society, Alliance and Leicester, Capital Home Loans, Pickfords and more.
Contact: Steve Towers, Hanson Associates
Tel: +44 (0) 941 120118
Fax: +44 (0) 608 663829

LONDON

OCTOBER 20
Pre-Budget Economic Prospects and Policy

Sixth Annual International State of the Economy Conference with speakers including Sir Alan Walters, Tim Congdon, Andrew Sentance, Roger Bootle, Patrick Minford, Geoffrey Wood, Otmar Issing, Jerry Jordan and Neil Mackinnon.
Sponsors: IEA.
Cost: £160 + VAT
Contact: Melanie Jones at Conference Profile
Tel: 071 236 4938 Fax: 071 236 1889

LONDON

OCTOBER 20
Using the Yellow Book in a Wider Context - Both 1993 events SOLD OUT

Managing insider dealing rules, disclosure of price sensitive information; what about FSA and other Acts? Dealing with the LSE; Listing Particulars Directive; understanding financial documents required. CPD 6 hours. CPE 7.5 points. Documentation available 100.
Contact: Helen Houseman, IBC
Tel: 071 637 4383 Fax: 071 631 3214

LONDON

OCTOBER 24
Understanding Derivatives & Related Financial Instruments

What are they? How to: manage their use, maximise the benefits, minimise the risks, treat them in the accounts, bear the documentation, stay within the law, be tax efficient. CPD 4 hours. CPE 7.5 points. Documentation available 130.
Contact: Helen Houseman, IBC
Tel: 071 637 4383 Fax: 071 631 3214

LONDON

25-26 OCTOBER 1994
Successful Selling '94 ICC, Birmingham

is the only independent Conference and Exhibition for the Sales and Marketing professional. The Conference programme offers unbeatable value with presentations full of ideas, concepts and hard won experience. Networking opportunities abound. Call free for a brochure on 0800 132122.

BIRMINGHAM

OCTOBER 26 & 27
How to Grow Your Business using Market Research

Information is becoming fundamental in the running of a business through the use of technology. This two day seminar will show you how to get the best out of research and the real reasons for using it.
Further details from International Professional Conferences Ltd.
Tel: 061 445 8623

LONDON

OCTOBER 26 - 27
BPR 94: Re-engineering, Process Management and Performance Improvement

Europe's leading conference and exhibition devoted to exploring how to apply business re-engineering strategies to achieve quantum leaps in corporate performance. Designed to meet the needs of your whole re-engineering team, from executive sponsor to those involved in planning and implementing projects.
Contact: Business Intelligence
Tel: 081 543 6565 Fax: 081 544 9020

LONDON

OCTOBER 27
International Tax Conference - Managing Global Expansion

Conference on the tax issues facing multinationals in the changing global scene.
Price: £200.00 plus VAT
Contact: Michelle Beard, Ernst & Young
Tel: 071 931 2297 Fax: 071 242 5862

LONDON

(PLEASE NOTE THE VENUE IS LONDON AND NOT BOURNEMOUTH AS PREVIOUSLY STATED)

OCTOBER 28
Successful Banking Recovery & Banking Litigation Tactics

Winding up and bankrupting customers; obtaining possession orders and enforcing mortgages; winning an order 14; the Insolvent bank and set off. Confidentiality-exceptions, bank as knowing recipient and assister; syndicated loans: rights and duties of agent bank. CPD 5.5 hours. Documentation available 110.
Contact: Linda McKay, IBC
Tel: 071 637 4383 Fax: 071 631 3214

LONDON

OCTOBER 30 - NOVEMBER 1
Living with Technology Road Transport & Road Transport Engineering

An important opportunity for all professionals involved in design, operation and maintenance of cars, trucks and Psv's to assess existing challenges and developments. This twin track conference with 30 international speakers will provide an important stimulus for strategic and practical fleet decision making.
Contact Peter Edmonds,
Institute of Road Transport Engineers.
Tel: (071) 630 1111 Fax: (071) 630 6677

LONDON

OCTOBER 31
Ensuring The Only Valid Claims Are Met - Using Policy Wording and the Law to Protect Insurance Company Funds.

Leading UK lawyers give you the tools to assess fairly and properly whether claims are covered by the insurance policy wording. CPD 6.5 hours. Documentation available 110.
Contact: Linda McKay, IBC
Tel: 071 637 4383 Fax: 071 631 3214

LONDON

NOVEMBER 2 & 3
Oil Pollution - Claims, Liability & Environmental Concerns

Future of TOVALOP and CRISTAL; Donaldson Report; challenges of OPA '90; certificates of financial responsibility; prevention of pollution, work of MPCU and ITOPF; latest statistics on claims; economic loss and environmental damage. Documentation available 180.
Contact: Helen Houseman, IBC
Tel: 071 637 4383 Fax: 071 631 3214

LONDON

NOVEMBER 3
The 1st Annual Review of IT Law

This prestigious one day conference will have the leading speakers, cover the critical issues, the essential developments, law, litigation, regulation and policy. It will have a practical approach for practitioners by practitioners.
Further details from International Professional Conferences Ltd.
Tel: 061 445 8623

LONDON

NOVEMBER 4
Oil Spill Response - A Lesson in Minimising Chaos and Costs

A participative workshop run by the various parties involved in casualties resulting in an oil spill. Afternoon role play based on a case history prepared by Murray Fenton & Associates.
Contact: Helen Houseman, IBC
Tel: 071 637 4383 Fax: 071 631 3214

LONDON

NOVEMBER 7
Global Convention on Retail Financial Services
Day 1: 13th International Retail Banking Conference

Theme "Strategies for 2001".
Subjects: Banking, insurance, investment management and consumer financial services. Morning session: *"Global, Regional or National Markets?"* Afternoon session: *"Bank Positioning Strategies for 2001"*
Contact: Mouna Conzi, Lafferty Conferences
Tel: +353 1 6718022 Fax: +353 1 6713594

LONDON

NOVEMBER 8
Global Convention on Retail Financial Services
Day 2: 6 Parallel Conferences

- Cards 2000
- Branch Banking
- Affluent Financial Services
- Business Banking
- Technology
- Retail Financial Services for Low Income Markets

Contact: Mouna Conzi, Lafferty Conferences
Tel: +353 1 6718022 Fax: +353 1 6713594

LONDON

NOVEMBER 8-9
DRI/McGraw-Hill's World Cars and Trucks conferences

bring together DRI's latest authoritative forecasts with key outside speakers to address the issues of the current cycle in the automotive industry and to anticipate the critical questions to be faced in the next five years.
Contact: Corinne Redonnet
Tel: 0181 545 6212 Fax: 0181 545 6248

LONDON

NOVEMBER 9
Global Convention on Retail Financial Services
Day 3: 6 Parallel Conferences

- Delivery Systems
- Marketing
- Insurance
- Non-Bank Banks
- Retail Financial Services in the Middle East
- Cross-Border Opportunities in Iberia

Contact: Mouna Conzi, Lafferty Conferences
Tel: +353 1 6718022 Fax: +353 1 6713594

LONDON

NOVEMBER 9
Presentations for Professionals by Professionals

At the Mermaid Theatre, a seminar on creating effective presentations. From presentation techniques and use of language, to AV design, slide production, etc. Businessmen, stand-up comedians and actors demonstrate how to make lasting impressions. Instructional, utterly enjoyable - a must for all presenters. Keynote speaker: Alan Dibbo, Chartered Institute of Marketing.
Contact: E Williams, Executive Presentations
Tel: 071 837 8199 Fax: 071 837 8190

LONDON

NOVEMBER 9 & 10
A Practical Guide to US ReExport Controls 1994

Essential information on munitions controls, compliance procedures, proliferations controls, technical data, US policy in the post COCOM world and recent developments. Crucial for UK or European based subsidiaries of US companies and those which reexport US-origin goods. Documentation available 100.
Contact: Linda McKay, IBC
Tel: 071 637 4383 Fax: 071 631 3214

LONDON

NOVEMBER 10
Global Convention on Retail Financial Services
Day 4: 6 Parallel Conferences

- Islamic Banking
- Direct Financial Services
- UK Financial Services
- Personal Financial Planning
- Cross-Border Opportunities in France
- Retail Financial Services in Emerging Markets

Contact: Mouna Conzi, Lafferty Conferences
Tel: +353 1 6718022 Fax: +353 1 6713594

LONDON

NOVEMBER 11
Global Convention on Retail Financial Services
Day 5: 7 Parallel Conferences

- Cross-Border Opportunities in European Financial Services
  - Central & Eastern Europe
  - Germany
  - Nordic Europe
  - Benelux
  - Italy
- Retail Financial Services in India
- Human Resources

Contact: Mouna Conzi, Lafferty Conferences
Tel: +353 1 6718022 Fax: +353 1 6713594

LONDON

NOVEMBER 14
Annual Company Report

1992 and 1993 conferences SOLD OUT. Off balance sheet finance; capital and financial instruments; acquisitions and mergers; deferred tax; associates and joint ventures; related parties; UITF, Review Panel, cash flow, revaluation deficits and company law; Cadbury. CPE 16 points, CPD 3 hours. Documentation available 90.
Contact: Helen Houseman, IBC
Tel: 071 637 4383 Fax: 071 631 3214

LONDON

NOVEMBER 14
Excellence in Strategic Management

In association with SDG, the best rated of the 250 conferences and courses held by IBC Technical Services each year. Restricted to senior management with significant responsibility for strategic direction of their companies. Limited to 20 places.
Contact: Caroline Elliott,
IBC Technical Services
Tel: 071-637 4383 Fax: 071-631 3214

CHEWTON GLEN

NOVEMBER 15
US GAAP/SEC Reporting

In association with Coopers and Lybrand. US GAAP overview; US v UK GAAP; recent US GAAP pronouncements and current developments; SEC reporting requirements; SEC hot topics; practical Case Study. Limited numbers for maximum interaction.
Contact: Helen Houseman, IBC
Tel: 071 637 4383 Fax: 071 631 3214

LONDON

NOVEMBER 15-16
Business Performance Measurement:

Transforming corporate performance by measuring and managing the drivers of future profitability. This two-day conference explores the relevance and practibility of developing new "corporate dashboards", which include non-financial indicators, such as customer satisfaction, quality and benchmarking.
Contact: Business Intelligence
Tel: 081-543 6565 Fax: 081-544 9020

LONDON

NOVEMBER 15-16
Strategies for High-Involvement Leadership

Controlling change; concentrating on high pay-off activities; creating partnerships; strengthening trust; motivating and enhancing team performance. There are the issues addressed in this interactive briefing designed to train executives at higher and middle management levels to operate effectively in empowered organisations. Contact: Rachel Thomas or Sarah Williams
IBC Technical Services
Tel: 071 637 4383 Fax: 071 631 3214

ASHDOWN PARK

NOVEMBER 16
1994 Retail Law Forum sponsored by RETAIL WEEK

Regulatory framework; Sunday trading, employees and opening hours; European angel, regulation in practice; promoting and protecting brands; what changes are needed? CPD 6 hours. Documentation available 120.
Contact: Linda McKay, IBC
Tel: 071 637 4383 Fax: 071 631 3214

LONDON

NOVEMBER 16 &17
Career Development in Flatter Organisations

followed by Workshop
Introducing Self Development to Organisations

Major interactive conference providing leading edge input for those concerned with careers issues and people development. Speakers: leading academics, consultants and hands-on practitioners.
Careers Research Forum:
Tel: 071 336 7790 Fax: 071 336 7815

LONDON

NOVEMBER 16-18
The Wachovia Personal Banker Program

Internationally-acclaimed role model for effective banking practice which differentiates the bank from its competitors. Presentations from senior Wachovia executives share the bank's world-famous strategy of relationship banking. 2½ day seminar, Atlanta, USA.
Contact Anna Pearson,
Lafferty Training, London
Tel: (+44-71) 782 0590 Fax: (+44-71) 782 0596

LONDON

NOVEMBER 17
Exploiting UK Innovation

The Funding, Marketing and Licensing of New Ideas
This Two Day Conference, organised in association with The Patent Office includes workshops at which delegates can receive guidance for future best practice in their specific fields. Ideal forum for innovators to make contacts.
Contact: Lucinda Middleton,
IBC Technical Services
Tel: 071-637 4383 Fax: 071-631 3214

LONDON

NOVEMBER 16
New Techniques for Venture Capital

Key topics include: Reinvestment Relief; Limited Partnerships in Venture Capital; Tax Efficient Management Buyouts; Innovative and up to the minute Capital Gains Tax Planning ideas: The Enterprise Investment Scheme and; Raising money for Private Equity Funds.
Contact: Vicki Goffin, IBC Legal Studies and Services Limited.
Tel: 071 637 4383 Fax: 071 631 3214

LONDON

NOVEMBER 22
Continuous Improvement through KAIZEN

This two day conference conducted by Masaaki Imai and Peter Willats founders of the Kaizen Institute of Europe includes an optional third day visit to two sites where Kaizen principles are being implemented. An insight for senior management in all industries.
Contact: Jessica Robertson,
IBC Technical Services
Tel: 071-637 4383 Fax: 071-631 3214

LONDON

NOVEMBER 24
Management Buyouts - The Corporate Restructuring Tool of the 90's

Essential for the MBO team this conference will cover: MBO practicalities; the corporate advisers role; structuring the deal; debt and buyout; Employees - transferring and motivating - understanding the law; doing the deal and; tax implications for managers.
Contact: Julia Dopheide, IBC Legal Studies and Services Limited.
Tel: 071 637 4383 Fax: 071 631 3214

LONDON

NOVEMBER 24
Israel - Trade & Investment in an Emerging Market

International conference in association with Israeli Embassy. Speakers include Director General, Ministry of Finance, Ambassador of Israel & representatives from Israel & UK. Topics include Expanding Economy, Business Development, Opportunities through Privatisation, Financing, Infrastructure, Science & Technology.
INTERFORUM Tel: +44 (0) 71 386 9322
Fax: +44 (0) 71 381 8914

LONDON

NOVEMBER 28 - DECEMBER 2
KAIZEN WORKSHOP

As featured on FT Management Page on 4 January: Five days' intensive hands-on experience for senior managers in world-beating productivity improvement techniques, in a real factory. Free video and copy of FT article also available.
Contact: Sarah Bisby,
Kaizen Institute of Europe
Tel: 071 713 0407 Fax: 071 713 0403

VENUE TO BE ADVISED

NOVEMBER 28-29
Strategies for Buying & Selling Companies

The past year has witnessed an increase in M&A activity, unparalled since the mid-80's. The conference will cover the strategic, legal, tax and accounting issues that need to be considered when buying or selling a public and/or private company.
Contact: Acquisitions Monthly -
Tel: 0171 823 8740 Fax: 0171 581 4331

LONDON

NOVEMBER 26 - 30 1994
"HOW TO EFFECTIVELY ENTER THE CHINESE MARKETS"

Two-day seminar at the Sino-British Business and Trade Fair.
- Sino-British Trading prospects
- Investment environment
- Development of Chinese economy

Other topics include technological links, finance, the textile industry and speeches by British Aerospace and Pilkington
Contact Yo-Xian Jin
Tel: 0044 532 302768 Fax: 0044 532 307863

HARROGATE

EXHIBITIONS

SEPTEMBER 12 - 18
GCC & Britain '94 Exhibition

Over 350 of the Gulf States most successful business will all be under one roof, all ready to talk business at Olympia 2. 10.00 am - 6.00 pm. Daily.
For tickets/information contact: Arab-British Chamber of Commerce, 6 Belgrave Square, London SW1X 8PH
Tel: 071 235 4363 Fax: 071 245 6688

LONDON

OCTOBER 7-9
Enterprise Business & Computing Show 1994

The UK's only national exhibition for small-medium business. Enterprise represents the forum for the fastest growing sector in the UK - SMEs. The exhibition is sponsored by Parcelforce and has over 150 companies represented from industries including computing, finance, training, banking, franchising, commercial property, catering transportation and telecommunications.
Advance tickets: 081 982 6000.
Contact: Julian Fisher, Enterprise Exhibitions Ltd
Tel: (0932) 859960/829920
Fax: (0932) 855741

LONDON

INTERNATIONAL

SEPTEMBER 14 & 15
1st EU/EEA Intellectual Property and Competition Law Symposium

This major event will review recent developments in intellectual property rights and update on competition law. A high quality panel of speakers with considerable expertise in their field of law have been brought together for this symposium.
Further details from International Professional Conferences Ltd.
Tel: 061 445 8623

STOCKHOLM

SEPTEMBER 23
Transfer Pricing: a new consensus for the future?

This seminar focuses on two recent critical transfer pricing developments, ie the new draft OECD Guidelines on Transfer Pricing and the final US Transfer Pricing regulations.
Contact IBFD International Tax Academy, Ms Anselien School
Tel: +31-20-6267726 Fax: +31 20 6209392

AMSTERDAM

SEPTEMBER 27-29
DA/DSM Europe 94

Competition in combination with open access will force utilities to introduce more advanced technologies such as: IT/DA/DSM/SCADA/AM/FM/GIS/AMR At this conference & exhibition the latest developments will be discussed and shown by the major companies and utilities. High level.
Contact: PennWell C&E
Tel: +31-30-650.963 Fax+31-30-650.928

PARIS

OCTOBER 10/11
The Private Banking Challenge: Survival or Success

Designed for senior bankers responsible for private client business and chaired by Russell Taylor, author of Private Banking Renaissance, this international conference considers ways to meet client service requirements while maintaining profitability.
Enquiries:
The Event Organisation Company
Tel: +44 71 228 8034 Fax: +44 71 924 1790

LUXEMBOURG

OCTOBER 18-20
Opportunities for Trade & Investment in the Black Sea States, Turkey & Central Asia

Conference & Business Forum with optional Workshop on Economic Aid Legislation/Financing. Individual meetings with delegations from Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Kazakhstan, Kyrgyzstan, Romania, Russia, Turkmenistan, Ukraine, Uzbekistan.
INTERFORUM Tel: +44 (0) 71 386 9322
Fax: +44 (0) 71 381 8914

ISTANBUL

OCTOBER 19 & 20
Dealing with Rights

Intellectual Property Rights must be properly dealt with if they are to confer hoped for benefits upon their rightful owners. An intensive panel of intellectual property managers and lawyers examine the problems owners face in handling rights and in portfolio mangement.
Further details from
International Professional Conferences Ltd. Tel: 061 455 8623

FRANKFURT

OCTOBER 19-20
Plain English Campaign's

3rd International Conferences
Washington DC
Telephone 0663 744409 for details

WASHINGTON

OCTOBER 25 & 26
EC Business Regulation

Everyone concerned with international business transactions must be aware of the EC Business Regulation and its increasing influence on the way we transact business. This conference will provide an insight and a summary of current regulations and practice, also future EU policy.
Further details from International Professional Conferences Ltd
Tel: 061 445 8623

BRUSSELS

OCTOBER 26 & 27
FT India's Economic Renaissance

This high-level FT conference will provide a unique opportunity to review the government's liberalisation programme and assess future prospects for business and investment.
Enquiries: Financial Times
Tel: 081 673 9000
Fax: 081 673 1335

DELHI

NOVEMBER 8-9
European Union Aid for Development Conferences

Business Opportunities in EC external aid projects to the value of 5 billion ECU annually outlined, including PHARE/JOPP, TACIS, MED, A/LA, and ACP. Networking with EU and new member state compeoies. Procurement opportunities for manufacturers/suppliers. 200 page EUROAID GUIDE on EU aid programmes included.
Contact: Société Générale de Développement S.A.
Tel: +322 512 4636 Fax: +322 512 4653

BRUSSELS

NOVEMBER 24 & 25
Profit without Pain

How far can I copy or emulate my rivals products before I step across the line of legality? Why is apparent copying widespread and tolerated in some industries but not others? Leading law practices will give their opinions on these matters.
Further details from International Professional Conferences Ltd
Tel: 061 445 8623

AMSTERDAM

5-6 DECEMBER 1994
COMPETITIVE INTELLIGENCE

Seminar for managers who want to learn how Competitive Intelligence supports both operational effectiveness and strategic positioning. Topics include aims and role of intelligence in firms, collection methods, analytical techniques, organisation, and counter-intelligence. Principal lecturers are former professional intelligence officers.
Contact: Business Research Group
Tel: 022 929 1900 Fax: 022 788 0824

GENEVA

MAY 15-20, 1995
ACHEMASIA '95

This leading International Exhibition-Congress in the Asian Pacific region on Chemical Engineering, Pollution Control Technology, and Biotechnology is being held the third time in Beijing, PR China.
For further information contact: Sabine Wehen, DECHEMA e.V., Frankfurt am Main, Germany.
Tel: (++49 69) 7564-238;
Fax (++49 69) 7564-298

CHINA

TO ADVERTISE IN THIS SECTION PLEASE CALL NADINE HOWARTH ON 071-873 3503

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Sep 9 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Sep 9 / Frs.)

[illegible]

DENMARK (Sep 9 / Kr)

[illegible]

FINLAND (Sep 9 / Mkq)

[illegible]

FRANCE (Sep 9 / Frs.)

[illegible]

GERMANY (Sep 9 / Dm.)

[illegible]

ITALY (Sep 9 / Lire)

[illegible]

NETHERLANDS (Sep 9 / Fls.)

[illegible]

NORWAY (Sep 9 / Kroner)

[illegible]

SPAIN (Sep 9 / Pts.)

[illegible]

SWEDEN (Sep 9 / Kronor)

[illegible]

SWITZERLAND (Sep 9 / Frs.)

[illegible]

PACIFIC

JAPAN (Sep 9 / Yen)

[illegible]

HONG KONG (Sep 9 / H.K.$)

[illegible]

MALAYSIA (Sep 9 / MYR)

[illegible]

SINGAPORE (Sep 9 / S$)

[illegible]

AUSTRALIA (Sep 9 / Aus.$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Sep 9 / Can $) 4 pm close

[illegible]

MONTREAL (Sep 9 / Can $) 4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Sep 9 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

FT FREE ANNUAL REPORTS SERVICE

You can obtain the current annual reports of companies annotated with ♣. Ring 081 770 0770 or fax 081 770 3822, quoting FT Japan. If calling from outside UK, dial +44 81 770 0770 or fax +44 81 770 3822, quoting FT Japan. The Reports will be sent on the next working day. If faxing please remember to state FT Japan and also your post code.

TOKYO - MOST ACTIVE STOCKS: Friday, September 9, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	11.3m	370	+5	Nissan Motor	4.8m	756	+17
Mitsubishi Hvy	7.4m	766	-10	Sumitomo Mtl	4.7m	325	+6
NKK	5.5m	280	+2	Toshiba	4.6m	752	+17
Kawasaki Steel	5.6m	428	+6	Tokyo Gas	4.1m	473	-3
Sumitomo Chem	4.9m	565	+14	Hitachi	4.1m	973	+4

INDICES

[illegible]

Malaysia					
KLSE Comp.(4/4/86)	1181.66	1181.17	1163.15	1314.46 5/1	928.33 4/4

** Sat Sep 3: Taiwan Weighted Price 6951.25; Korea Comp Ex 947.88. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 25 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Sep 9 - 2185.58 -22.82

US INDICES

Dow Jones	Sep 9	Sep 8	Sep 7	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3874.81	3908.46	3886.25	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	(u)	97.96	97.98	105.61 (21/1)	98.43 (13/5)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1591.86	1613.46	1617.52	1862.29 (2/2)	1546.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	179.87	183.17	182.77	227.09 (3/1)	176.71 (24/6)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3902.08 (3926.96) Low 3844.90 (3872.46) (Theoretical♦)
Day's high 3905.43 (3911.10) Low 3859.55 (3883.22) (Actual♦)

Standard and Poors	Sep 9	Sep 8	Sep 7	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	468.18	473.14	470.96	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	552.06	557.43	554.06	580.59 (2/2)	510.05 (21/4)	580.59 (2/2/94)	3.62 (21/6/32)
Financial	45.51	46.10	46.11	48.94 (14/6)	41.39 (4/4)	48.40 (26/9/93)	8.64 (1/10/74)
NYSE Comp.	258.38	260.82	259.70	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	454.54	455.51	455.32	487.89 (2/2)	422.87 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	763.73	769.30	764.28	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

RATIOS

	Sep 2	Aug 26	Aug 19	Year ago
Dow Jones Ind. Div. Yield	2.63	2.64	2.73	2.80
	Sep 7	Aug 31	Aug 24	Year ago
S & P Ind. Div. yield	2.37	2.33	2.37	2.46
S & P Ind. P/E ratio	20.86	21.11	20.73	27.86

STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	469.50	467.95	-4.95	469.70	465.75	42,934	121,578
Dec	475.20	470.15	-5.10	475.75	467.85	81,781	130,015
Mar	474.00	473.30	-5.10	474.60	471.10	78	4,599

Open interest figures are for previous day.

CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett.Price	Change	High	Low	Est. vol.	Open int.
Sep	1993.0	1951.0	-39.0	2002.0	1952.0	28,646	38,957
Oct	2003.0	1960.5	-39.5	2009.5	1964.5	-	3,205
Dec	2022.0	1980.0	-39.0	2027.0	1987.0	245	13,605

Open interest figures for previous day.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Hanson	7,297,500	19¼	-⅛
RJR Nabisco	3,479,300	7	+⅛
Amer Barrick	3,174,800	24⅛	+⅛
Telefonos	3,024,700	63⅞	-⅞
SW Airline	2,957,700	24⅛	+½
Wal-Mart	2,870,800	25⅝	—
Ltd. Co	2,854,900	18¾	+⅛
Gen Motors	2,773,500	51⅜	—
USAir	2,678,800	6¼	-⅛
Philip Morris	2,495,900	59⅞	-½

TRADING ACTIVITY

● Volume (million)

	Sep 9	Sep 8	Sep 7
New York SE	295.624	294.915	290.300
Amex	14.750	16.098	16.454
NASDAQ	(u)	273.931	253.089
NYSE			
Issues Traded	(u)	2,884	2,872
Rises	(u)	1,316	1,022
Falls	(u)	806	1,104
Unchanged	(u)	740	746
New Highs	(u)	82	52
New Lows	(u)	27	26

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on 071-873 4378.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (☆) - 0001 to 1100 hours; (◆) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation [illegible] a short period of time may [illegible]

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH [illegible]

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Waverley Unit Tst Mngmt Ltd (1000)F
13 Charlotte Sq, Edinburgh 031-225 1551

Whittingdale Unit Tst Mgmt Ltd (0830)F
2 Honey Lane, London EC2V 8BT 071-600 0462

Woolwich Unit Trust Managers Ltd (1700)H
2 White Oak Square, Swanley BR8 7AG 081-298 4000

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Stockmarket Fd	5	78.70	78.77	83.79	1.82	[illegible]

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd
Int'l Expt Aug 31 | 795.8 | 822.9 | 0.92 | 40105

Baring Investment Mngmt Ltd

Acuma Life Assurance Ltd
42 Southwark Bridge Road, London SE1 9HE 071 880 3435

AEGON Life Assurance Co (UK) Ltd
AEGON Hse, Lanark Sq, London E14 9QS 071-538 8800

Clerical Medical/Fidelity Investments
Narrow Plain, Bristol BS2 0JH

Clerical Medical Investment Group
Narrow Plain, Bristol BS2 0JH

Friends Provident - Contd.

Lancashire & Yorkshire Assce Society

Laurentian Life plc
Barnwood, Gloucester GL4 7RZ 0452 371371

MGM Assurance (z)

Norwich Union Life Insurance Soc. - Contd.

Prudential Individual Pension Funds
35 King's Road, Reading RG1 3AR 0734 494949

INSURANCES

AIG Life

AXA Equity & Law Life Assce

Abbey Life Assurance Co Ltd

Abbey National Life Plc

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Scottish Mutual Assurance plc

Sun Alliance Group - Contd.

Century Life International Ltd

MANAGEMENT SERVICES

Capital Trust Financial Management

Chase de Vere PLC

DBS Financial Management Ltd

Lazard Freres Asset Management (CI) Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Coutts & Co Fund Managers Limited

Hambros Fund Managers (Ireland) Ltd

Kleinwort Benson Bond Arbitrage Fund Plc

Kleinwort Benson Derivative Products Fd Plc

Kleinwort Benson Capital Mngt (Ireland) Ltd

Gartmore Fund Mngrs Intl Ltd

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

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Worldinvest (Managers) Jersey Ltd

	Bid Price	Offer Price	Yield Gross	City-Line
Worldinvest Inc Fd †	$234.57	235.76	6.17	44715
Excalibur Global Eqty 3 *	$80.93	81.34	–	47978
Excalibur Stg Global Fixed Inc*	£10.75	18.51	6.98	49199

*Valued weekly * Mondays, † Wednesdays.

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds
14 Rue Jean Monnet, L-2180 Luxembourg 352 4240495320

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Latin America Equity	$–		58.09	58.86	–	–
North America Equity	$–		51.64	52.14	–	–
Germany Equity	DM–		103.00	103.52	–	–
Europe Bond	$–		48.81	49.03	–	–
Germany Bond B	DM–		96.43	96.88	–	–

Abtrust Fund Mngrs Luxembourg SA (u)
13 rue Goethe L-1637 Luxembourg 010 352 4046461

American Phoenix Investment Portfolios (u)
13 rue Goethe, L-1637 Luxembourg 010 352 4046461

BAII Intermarket Fund
2 Boulevard Royal, Luxembourg 010 352 4590 3352
NAV Aug 31 — $– 567 08

Bank Von Ernst & Cie AG
Marktgasse 63/65, 3001 Berne, Switzerland 31 3114051

Gartmore Luxembourg SA (u)
39 Allee Scheffer, L-2520 Lux 010 352 4767470

HSBC Investment Funds Luxembourg SA (u)
7 rue du Marche – aux – Herbes L-1728 Luxembourg

Henderson Management SA (u)

Hypo Foreign & Colonial Port Fd Sicav(u)

S.G. Warburg Asset Mngmt Lux SA - Contd.

LUXEMBOURG (REGULATED)(**)

Aetna International Umbrella Fund (u)

InverSud Investment Fund SICAV

Investissements Atlantiques SA

Lloyds Bank Luxembourg (u)

Lombard Odier Invest (u)

World Bond Fund–SICAV (z)

World Trust Fund

Yamaichi Advanced Technology Fund

Yamaichi 1992 OMNI Fund SICAV (u)

OTHER OFFSHORE FUNDS

ATSP Management Ltd

[illegible]

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Sep 9		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.8312	-0.0961	229 - 394	16.9399	16.8225	16.8288	0.3	16.815	0.4	-	-	115.5
Belgium	(BFr)	49.2582	-0.2921	237 - 926	49.5590	49.2230	49.2582	0.0	49.2432	0.1	49.1332	0.3	110.9
Denmark	(DKr)	9.4570	-0.0597	503 - 637	9.5252	9.4500	9.4658	-1.1	9.4866	-1.3	9.5437	-0.9	116.6
Finland	(FM)	7.7570	-0.0483	486 - 653	7.8270	7.7450							84.3
France	(FFr)	8.1938	-0.0484	893 - 982	8.2479	8.1815	8.197	-0.5	8.1992	-0.3	8.1717	0.3	110.6
Germany	(DM)	2.3914	-0.0137	901 - 926	2.4081	2.3877	2.3914	0.0	2.3885	0.3	2.3646	1.1	126.9
Greece	(Dr)	364.228	-2.12	902 - 558	366.510	363.900	-	-	-	-	-	-	-
Ireland	(I£)	1.0126	-0.0012	121 - 135	1.0148	1.0081	1.0131	-0.4	1.0143	-0.6	1.0194	-0.7	104.1
Italy	(L)	2437.94	-6.35	669 - 919	2455.39	2435.19	2444.64	-3.3	2458.74	-3.4	2528.54	-3.7	74.9
Luxembourg	(LFr)	49.2582	-0.2921	237 - 926	49.5590	49.2230	49.2582	0.0	49.2432	0.1	49.1332	0.3	116.9
Netherlands	(Fl)	2.6815	-0.0159	793 - 837	2.7016	2.6785	2.6816	-0.1	2.6795	0.3	2.652	1.1	121.3
Norway	(NKr)	10.5198	-0.0556	155 - 240	10.6028	10.5077	10.5193	0.1	10.5225	-0.1	10.5259	-0.1	88.3
Portugal	(Es)	244.035	-1.151	894 - 175	245.341	243.537	245.765	-8.5	248.945	-8.0	-	-	-
Spain	(Pta)	199.059	-0.992	852 - 265	200.102	198.841	199.504	-2.7	200.344	-2.8	203.434	-2.2	86.1
Sweden	(SKr)	11.7237	-0.0611	148 - 325	11.8806	11.7046	11.7492	-2.6	11.8022	-2.7	12.0482	-2.8	74.5
Switzerland	(SFr)	1.9948	-0.0189	936 - 959	2.0149	1.9923	1.9931	1.0	1.9887	1.2	1.9692	1.5	123.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	78.0
Ecu	-	1.2560	-0.0084	552 - 568	1.2631	1.2545	1.2567	-0.7	1.2576	-0.5	1.2573	-0.1	-
SDR†	-	0.944859	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5504	+0.0058	499 - 508	1.5516	1.5395	-	-	-	-	-	-	-
Brazil	(R)	1.3493	-0.0089	474 - 512	1.3577	1.3470	-	-	-	-	-	-	-
Canada	(C$)	2.1236	+0.0061	226 - 245	2.1252	2.1119	2.123	0.3	2.1216	0.4	2.1125	0.5	86.4
Mexico (New Peso)		5.2765	+0.0263	733 - 837	5.2843	5.2501	-	-	-	-	-	-	-
USA	($)	1.5609	+0.0054	505 - 613	1.5514	1.5403	1.5607	0.2	1.5495	0.4	1.5386	0.5	62.5
Pacific/Middle East/Africa													
Australia	(A$)	2.0822	+0.0059	809 - 834	2.0837	2.0655	2.0821	0.0	2.0835	-0.2	2.1017	-0.9	-
Hong Kong	(HK$)	11.9842	+0.0422	807 - 877	11.9885	11.9031	11.9803	0.4	11.9792	0.2	11.9862	0.0	-
India	(Rs)	48.6556	+0.1729	392 - 720	48.6770	48.3270	-	-	-	-	-	-	-
Japan	(Y)	153.951	+0.333	872 - 029	154.280	153.150	153.641	2.4	152.806	3.0	148.191	3.7	188.6
Malaysia	(M$)	3.9648	+0.0124	631 - 667	3.9668	3.9409	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5657	+0.012	649 - 684	2.5685	2.5489	2.5706	-1.8	2.5784	-1.8	2.6007	-1.3	-
Philippines	(Peso)	40.7869	+0.1434	456 - 319	41.0322	40.5370	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8163	+0.0206	144 - 182	5.8186	5.7769	-	-	-	-	-	-	-
Singapore	(S$)	2.3221	+0.0046	211 - 231	2.3238	2.3079	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5177	+0.0147	151 - 203	5.5223	5.4815	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.9948	+0.0138	773 - 119	7.0200	6.9400	-	-	-	-	-	-	-
South Korea	(Won)	1241.27	+3.29	087 - 166	1241.69	1232.86	-	-	-	-	-	-	-
Taiwan	(T$)	40.6301	+0.1547	169 - 433	40.6445	40.3551	-	-	-	-	-	-	-
Thailand	(Bt)	38.7182	+0.0974	927 - 437	38.7480	38.5080	-	-	-	-	-	-	-

†SDR rates for Sep 8. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 9		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.8525	-0.1005	500 - 550	10.9930	10.8500	10.8525	0.0	10.8523	0.0	10.7775	0.7	104.4
Belgium	(BFr)	31.7610	-0.301	470 - 750	32.1550	31.7350	31.7685	-0.6	31.801	-0.5	31.936	-0.6	105.0
Denmark	(DKr)	6.0978	-0.0595	950 - 005	6.1751	6.0950	6.1043	-1.3	6.1228	-1.6	6.2041	-1.7	104.8
Finland	(FM)	5.0010	-0.0495	975 - 057	5.0728	4.9938	5.0016	0.0	5.0081	-0.6	5.0666	-1.3	78.7
France	(FFr)	5.2832	-0.05	817 - 847	5.3500	5.2760	5.2859	-0.6	5.2917	-0.6	5.2547	0.5	106.4
Germany	(D)	1.5418	-0.0143	415 - 423	1.5623	1.5401	1.5421	-0.2	1.5421	-0.1	1.5369	0.3	107.2
Greece	(Dr)	234.850	-2.2	700 - 000	237.600	234.700	235.15	-1.5	235.81	-1.5	238.675	-1.6	69.1
Ireland	(I£)	1.5313	+0.0071	306 - 320	1.5350	1.5306	1.5307	0.5	1.5278	0.9	1.5093	1.4	-
Italy	(L)	1571.95	-9.85	155 - 235	1591.00	1570.15	1576.5	-3.6	1586.95	-3.8	1643.95	-4.6	75.5
Luxembourg	(LFr)	31.7610	-0.301	470 - 750	32.1550	31.7350	31.7685	-0.3	31.801	-0.5	31.936	-0.6	100.0
Netherlands	(Fl)	1.7290	-0.0163	280 - 300	1.7515	1.7275	1.7291	-0.1	1.7293	-0.1	1.7238	0.3	105.8
Norway	(NKr)	6.7830	-0.0599	820 - 840	6.8668	6.7795	6.787	-0.7	6.8065	-1.4	6.878	-1.4	96.2
Portugal	(Es)	157.350	-1.3	300 - 400	158.900	157.070	158.1	-5.7	159.69	-5.9	165.475	-5.2	95.5
Spain	(Pta)	128.350	-1.095	250 - 450	129.700	128.250	128.665	-2.9	129.305	-3.0	132.25	-3.0	80.8
Sweden	(SKr)	7.5593	-0.0792	555 - 630	7.6973	7.5545	7.5768	-2.8	7.6173	-3.1	7.8318	-3.6	79.3
Switzerland	(SFr)	1.2862	-0.0168	858 - 866	1.3060	1.2845	1.2853	0.0	1.2835	0.8	1.2735	1.0	107.7
UK	(£)	1.5508	+0.0054	508 - 513	1.5514	1.5403	1.5507	0.2	1.5495	0.4	1.5386	0.8	87.0
Ecu	-	1.2348	+0.0105	343 - 353	1.2360	1.2201	1.2339	0.9	1.2321	0.9	1.2238	0.9	-
SDR†	-	1.46028	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9997	+0.0002	996 - 997	0.9997	0.9995	-	-	-	-	-	-	-
Brazil	(R)	0.8700	-0.0095	690 - 710	0.8790	0.8690	-	-	-	-	-	-	-
Canada	(C$)	1.3693	+0.0004	690 - 695	1.3716	1.3690	1.3699	-0.5	1.372	-0.6	1.3876	-1.3	83.1
Mexico (New Peso)		3.4035	+0.005	010 - 060	3.4080	3.4010	3.4045	-0.4	3.4013	-0.3	3.4137	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.7
Pacific/Middle East/Africa													
Australia	(A$)	1.3426	-0.0009	421 - 430	1.3430	1.3405	1.3429	-0.2	1.3436	-0.6	1.3516	-0.6	83.0
Hong Kong	(HK$)	7.7273	+0.0001	270 - 275	7.7277	7.7270	7.727	0.0	7.7279	0.0	7.7427	-0.2	-
India	(Rs)	31.3725	+0.0012	700 - 750	31.3750	31.3700	31.4575	-3.3	31.6025	-2.9	-	-	-
Japan	(Y)	98.2650	-0.135	400 - 900	98.6400	98.1000	98.075	2.3	98.616	2.8	96.435	3.0	149.6
Malaysia	(M$)	2.5655	-0.001	560 - 570	2.5600	2.5556	2.5473	4.3	2.836	3.2	2.6105	-2.1	-
New Zealand	(NZ$)	1.6550	+0.002	543 - 556	1.6556	1.6534	1.656	-0.7	1.6578	-0.7	1.6611	-0.5	-
Philippines	(Peso)	26.3000	-	500 - 500	26.4500	26.1500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7503	+0.0001	500 - 505	3.7505	3.7500	3.7510	-0.4	3.7557	-0.6	3.7742	-0.6	-
Singapore	(S$)	1.4973	-0.0022	970 - 975	1.5005	1.4965	1.4959	1.1	1.494	0.9	1.4805	0.7	-
S Africa (Com.)	(R)	3.5578	-0.003	570 - 585	3.5695	3.5580	3.5733	-5.2	3.6016	-4.9	3.6813	-3.4	-
S Africa (Fin.)	(R)	4.5100	-0.007	500 - 200	4.5200	4.5000	4.5437	-9.0	4.6025	-8.2	-	-	-
South Korea	(Won)	800.350	-0.7	300 - 400	901.100	800.300	803.35	-4.5	806.85	-3.2	826.05	-3.1	-
Taiwan	(T$)	26.1978	+0.0078	960 - 995	26.2020	26.1960	26.2178	-0.9	26.2578	-0.9	-	-	-
Thailand	(Bt)	24.9650	-0.025	550 - 750	24.9990	24.9550	25.0375	-3.5	25.165	-3.2	25.67	-2.7	-

†SDR rate for Sep 8. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 9 Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 9		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.28	16.64	4.855	2.055	4948	5.444	21.34	495.4	404.1	23.80	4.049	2.030	4.311	3.149	312.5	2.550
Denmark	(DKr)	52.08	10	8.663	2.528	1.070	2577	2.836	11.11	258.0	210.4	12.39	2.108	1.057	2.245	1.640	162.7	1.328
France	(FFr)	60.11	11.54	10	2.918	1.235	2974	3.272	12.83	297.8	242.9	14.30	2.434	1.221	2.591	1.893	187.8	1.533
Germany	(DM)	20.60	3.955	3.427	1	0.423	1019	1.121	4.396	102.0	83.23	4.902	0.834	0.416	0.888	0.649	64.37	0.525
Ireland	(I£)	48.67	9.345	8.096	2.363	1	2408	2.649	10.39	241.1	196.6	11.58	1.970	0.988	2.098	1.533	152.1	1.241
Italy	(L)	2.021	0.388	0.336	0.098	0.042	100.	0.110	0.431	10.01	8.166	0.481	0.082	0.041	0.087	0.064	6.315	0.052
Netherlands	(Fl)	18.37	3.527	3.056	0.892	0.377	909.0	1	3.920	91.01	74.23	4.372	0.744	0.373	0.792	0.579	57.40	0.468
Norway	(NKr)	46.86	8.998	7.795	2.275	0.963	2316	2.551	10	232.2	189.3	11.15	1.897	0.951	2.020	1.476	146.4	1.105
Portugal	(Es)	20.16	3.876	3.358	0.980	0.415	998.8	1.099	4.307	100.	81.56	4.803	0.817	0.410	0.870	0.636	63.07	0.515
Spain	(Pta)	24.75	4.752	4.117	1.202	0.509	1225	1.347	5.281	122.6	100.	5.889	1.002	0.503	1.067	0.779	77.34	0.631
Sweden	(SKr)	42.02	8.069	6.991	2.040	0.863	2079	2.288	8.968	208.2	169.8	10	1.701	0.853	1.811	1.323	131.3	1.072
Switzerland	(SFr)	24.70	4.743	4.109	1.199	0.508	1222	1.345	5.271	122.4	99.80	5.878	1	0.502	1.065	0.778	77.16	0.630
UK	(£)	49.25	9.457	8.193	2.391	1.012	2437	2.681	10.51	244.0	199.0	11.72	1.994	1	2.123	1.551	153.9	1.256
Canada	(C$)	23.20	4.455	3.859	1.126	0.477	1148	1.263	4.951	114.9	93.74	5.520	0.939	0.471	1	0.731	72.49	0.592
US	($)	31.75	6.097	5.282	1.542	0.652	1571	1.729	6.776	157.3	128.3	7.558	1.286	0.645	1.369	1	99.23	0.810
Japan	(Y)	32.00	6.145	5.324	1.554	0.658	1583	1.742	6.829	158.5	129.3	7.615	1.296	0.650	1.379	1.008	100.	0.819
Ecu		39.21	7.529	6.523	1.904	0.806	1940	2.135	8.368	194.3	158.4	9.331	1.588	0.796	1.690	1.235	122.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	0.6421	0.6501	+0.0071	0.6517	0.6402	44,862	92,806
Dec	0.6420	0.6501	+0.0071	0.6517	0.6402	16,186	34,631
Mar	0.6445	0.6509	+0.0072	0.6515	0.6445	285	2,976

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	0.7684	0.7809	+0.0123	0.7825	0.7662	19,280	33,307
Dec	0.7695	0.7829	+0.0127	0.7850	0.7676	4,718	12,393
Mar	0.7790	0.7849	+0.0128	0.7865	0.7790	18	119

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	1.0050	1.0084	+0.0026	1.0100	1.0046	20,095	55,060
Dec	1.0128	1.0151	+0.0027	1.0166	1.0108	3,934	16,245
Mar	-	1.0225	+0.0029	1.0239	1.0225	110	1,854

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	1.5430	1.5524	+0.0070	1.5540	1.5404	10,353	33,494
Dec	1.5420	1.5506	+0.0070	1.5518	1.5390	4,722	7,789
Mar	1.5380	1.5486	+0.0070	1.5494	1.5380	1	188

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	PUTS Sep	PUTS Oct	PUTS Nov
1.450	10.05	10.01	9.96	-	-	0.03
1.475	7.55	7.56	7.63	-	-	0.12
1.500	5.11	5.23	5.47	-	0.09	0.41
1.525	2.63	3.10	3.66	-	0.45	1.00
1.550	0.61	1.51	2.13	0.36	1.30	1.98
1.575	-	0.57	1.12	2.22	2.80	3.40

Previous day's vol., Calls 6,606 Puts 3,563 . Prev. day's open int., Calls 607,480 Puts 443,669

UK INTEREST RATES

LONDON MONEY RATES

Sep 9	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5½ - 4	4 15/16 - 4 13/16	5 1/16 - 4 7/8	5 7/16 - 5 5/16	5 7/8 - 6 1/4	6 13/16 - 6 11/16
Sterling CDs	-	-	4 31/32 - 4 27/32	5 13/32 - 5 5/16	5 29/32 - 6 13/16	6 11/16 - 6 9/16
Treasury Bills	-	-	4 7/8 - 4 13/16	5 3/8 - 5 5/16	-	-
Bank Bills	-	-	4 7/8 - 4 13/16	5 3/8 - 5 5/16	5 15/16 - 5 13/16	-
Local authority deps.	5 1/16 - 4 15/16	5 1/16 - 4 15/16	4 15/16 - 4 13/16	5 3/8 - 5 1/4	5 15/16 - 6 13/16	6 13/16 - 6 11/16
Discount Market deps	4 7/8 - 3 5/8	4 7/8 - 4 5/8	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 5.0940pc. ECGD fixed rate Stg. Export Finance. Make up day Aug 31, 1994. Agreed rate for period Sep 26, 1994 to Oct 25, 1994, Schemes II & III 6.82pc. Reference rate for period July 30, 1994 to Aug 31, 1994, Schemes IV & V 5.678pc. Finance House Base Rate 5½pc from Sep 1, 1994.

BANK OF ENGLAND TREASURY BILL TENDER

	Sep 9	Sep 2
Bills on offer	£500m	£500m
Total of applications	£2806m	£1901m
Total allocated	£500m	£500m
Min. accepted bid	£98.730	£98.660
Allotment at min. level	100%	40%

	Sep 9	Sep 2
Top accepted rate	5.0940%	5.3747%
Ave. rate of discount	5.0940%	5.3589%
Average yield	5.1995%	5.4314%
Offer at next tender	£500m	£500m
Min. accept. bid 182 days	-	-

FT GUIDE to WORLD CURRENCIES
The FT Guide to World Currencies table can be found on the Companies & Finance page in today's edition.

■ Pound in New York

Sep 9	Close	Prev. close
£ spot	1.5530	1.5445
1 mth	1.5527	1.5443
3 mth	1.5515	1.5412
1 yr	1.5412	1.5321

FIXED INTEREST RATES

MONEY RATES

September 9	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅞	5⅛	5⅛	5⅞	6⅛	7.40	4.50	-
week ago	4⅞	5⅛	5⅜	5⅞	6⅛	7.40	4.50	-
France	5⅜	5⅜	5⅝	5⅞	6⅛	5.00	-	6.75
week ago	5⅜	5⅜	5⅝	5⅞	6⅛	5.00	-	6.75
Germany	4.90	4.85	4.95	5.10	5.45	6.00	4.50	4.85
week ago	4.00	4.95	4.95	5.02	5.33	6.00	4.50	4.85
Ireland	4¾	5⅞	6⅛	6⅜	7⅛	-	-	6.25
week ago	4⅞	5½	6⅛	6⅜	7⅛	-	-	6.25
Italy	8½	8⅝	8⅞	9⅛	10⅛	-	7.50	8.45
week ago	8½	8⅝	8⅞	9⅛	10⅛	-	7.50	8.45
Netherlands	4.84	4.97	5.02	5.15	5.49	-	5.25	-
week ago	4.84	4.97	4.99	5.11	5.42	-	5.25	-
Switzerland	3⅞	4	4⅛	4⅜	4⅝	6.625	3.50	-
week ago	3⅞	4	4⅛	4½	4⅝	6.625	3.50	-
US	4⅞	4⅞	4⅞	5⅛	5⅝	-	4.00	-
week ago	4⅞	4⅞	4⅞	5⅛	5⅝	-	4.00	-
Japan	2⅛	2½	2⅛	2⅛	2⅛	-	1.75	-
week ago	2⅛	2½	2⅛	2⅛	2⅛	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	4⅞	5	5⅛	5⅞	-	-	-
week ago	-	4⅞	5	5⅛	5⅞	-	-	-
US Dollar CDs	-	4.65	4.83	5.12	5.67	-	-	-
week ago	-	4.65	4.80	5.07	5.58	-	-	-
SDR Linked Ds	-	3⅝	3⅞	3⅞	4	-	-	-
week ago	-	3½	3⅝	3⅞	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅞; 3 mths: 5⅞; 6 mths: 6⅛; 1 year: 6⅝. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Sep 9	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 15/16 - 4 13/16	5 - 4⅞	5⅛ - 5	5 7/16 - 5 5/16	5⅞ - 6¼	6 7/16 - 6 5/16
Danish Krone	5⅜ - 5⅛	5⅜ - 5⅛	6⅛ - 5¾	6⅝ - 6⅜	7 7/16 - 7 5/16	7 15/16 - 7 7/16
D-Mark	4 15/16 - 4 13/16	4 15/16 - 4 13/16	5 - 4⅞	5 - 4⅞	5⅛ - 5	5½ - 5⅜
Dutch Guilder	5 - 4⅞	5 - 4⅞	5 - 4⅞	5 - 4⅞	5 5/16 - 5 3/16	5 9/16 - 5 7/16
French Franc	5⅜ - 5¼	5⅜ - 5¼	5 7/16 - 5 5/16	5⅝ - 5½	5⅞ - 5½	6⅜ - 6¼
Portuguese Esc.	12⅛ - 11⅞	9⅞ - 9⅝	10⅞ - 10½	11⅛ - 10 15/16	11¼ - 10⅞	11½ - 11
Spanish Peseta	7 7/16 - 7¼	7 7/16 - 7⅜	7 13/16 - 7½	8 - 7 13/16	8⅝ - 8 5/16	9 - 8 13/16
Sterling	4⅞ - 4⅝	4 15/16 - 4 13/16	5 - 4 15/16	5 15/16 - 5 13/16	5⅞ - 5⅝	6¾ - 6 13/16
Swiss Franc	3¾ - 3½	3⅞ - 3⅝	4 1/16 - 3 15/16	4 3/16 - 4 1/16	4 7/16 - 4 5/16	4¾ - 4⅝
Can. Dollar	5⅛ - 4 13/16	5¼ - 5 1/16	5 3/16 - 5 5/16	5¾ - 5⅝	6⅜ - 6¼	7¼ - 7⅛
US Dollar	4⅞ - 4⅝	4 15/16 - 4 13/16	5 - 4⅞	5 - 4⅞	5 5/16 - 5 3/16	5 15/16 - 5 13/16
Italian Lira	9 - 7½	8¼ - 8	8⅜ - 8¼	8 13/16 - 8 11/16	9 5/16 - 9 7/16	10⅝ - 10½
Yen	2 3/16 - 2⅛	2 3/16 - 2⅛	2 7/16 - 2½	2 11/16 - 2 9/16	2½ - 2 7/16	2¾ - 2 9/16
Asian $Sing	3⅞ - 3¾	3⅞ - 3¾	4 7/16 - 4 5/16	4¾ - 4⅝	5 5/16 - 5 3/16	5 13/16 - 5 11/16

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.97	94.93	-0.04	94.98	94.92	54,634	358,850
Dec	94.33	94.26	-0.06	94.35	94.24	98,585	510,680
Mar	94.00	93.89	-0.11	94.02	93.87	54,927	387,272

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.42	95.38	-0.04	95.42	95.37	4,499	8,058
Dec	94.91	94.83	-0.06	94.92	94.82	2,721	11,221
Mar	94.53	94.42	-0.09	94.53	94.40	445	4,398

All Open interest figs. are for previous day

BANK RETURN

BANKING DEPARTMENT	Wednesday September 7, 1994	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	1,143,505,061	+1,030,001,870
Bankers deposits	1,629,709,878	+64,523,201
Reserve and other accounts	4,729,474,035	-2,404,110,406
	7,517,241,974	-1,309,585,335
Assets		
Government securities	1,028,343,917	+17,240,209
Advance and other accounts	6,046,320,628	-1,324,767,942
Premise, equipment and other secs	434,763,312	-1,600,447
Notes	7,640,436	-452,931
Coin	173,681	-4,224
	7,517,241,974	-1,309,585,335
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	18,242,359,564	-359,547,069
Notes in Banking Department	7,640,436	-452,931
	18,250,000,000	-360,000,000
Assets		
Other Government securities	11,630,701,181	+2,230,757,897
Other Securities	6,619,298,819	-2,590,757,897
	18,250,000,000	-360,000,000

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	19.9	00	79	Baillie G Shn Wrts	79		-	-	-	-
100	F.P.	18.6	102	98	Beacon Inv Tst	99	-2	-	-	-	-
-	F.P.	1.60	48	42	Do. Warrants	42	-3	-	-	-	-
-	F.P.	1.30	1½	1	Cont'l Foods Wrts	1¼		-	-	-	-
-	F.P.	91.1	94	00	INVESCO Jpn Disc	83	-1	-	-	-	-
-	F.P.	3.29	50	42	Do. Warrants	47	-1	-	-	-	-
-	F.P.	-	77	63	JF Fl Japan Wrts	63	-1	-	-	-	-
-	F.P.	24.4	58½	35	Magnum Power	58½	+2½	-	-	-	-
23	F.P.	10.6	31	29	Orbis	29		-	-	-	-
-	F.P.	0.60	17	5½	Panther Wrts.	17		-	-	-	-
-	F.P.	0.85	40	27	Petroceltic	27	-1	-	-	-	-
-	F.P.	3.97	44	34	Suter Wrts 99/04	34	-5	-	-	-	-
100	F.P.	3.81	105	97	TR Euro Gth Ptg	105		-	-	-	-
-	F.P.	2.32	35	29	Tops Ests Wts	29		-	-	-	-

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
360	Nil	21/10	48pm	40pm	EMAP	46pm	
32	Nil	3/10	1½pm	1pm	Raglan Props	1½pm	

UK GILTS PRICES

[illegible]

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds. Weekly percentage changes are calculated on a Friday to Friday basis.

STOCK INDICES

	Sep 9	Sep 8	Sep 7	Sep 6	Sep 5	1994 High	1994 Low	Since comp. High	Since comp. Low
FT-SE 100	3139.3	3180.0	3203.9	3305.4	3241.5	3520.3	2876.6	3520.3	986.9
FT-SE Mid 250	3736.0	3761.8	3779.1	3782.4	3788.7	4152.8	3363.4	4152.8	1379.4
FT-SE Mid 250 ex ITs	3739.4	3766.4	3784.7	3788.6	3794.3	4160.7	3362.4	4160.7	1378.3
FT-SE-A 350	1589.2	1607.6	1618.6	1619.5	1634.1	1778.3	1461.3	1778.3	664.5
FT-SE SmallCap	1904.38	1907.25	1910.85	1911.06	1912.12	2094.98	1777.31	2094.98	1363.79
FT-SE SmallCap ex ITs	1870.99	1872.98	1876.04	1876.21	1876.84	2060.72	1752.98	2060.72	1363.79
FT-SE-A All-Share	1578.98	1596.07	1606.38	1607.26	1620.13	1764.11	1445.85	1764.11	61.92
FT-SE Eurotrack 100	1370.03	1380.01	1371.13	1371.03	1380.11	1540.19	1303.48	1540.19	900.45
FT-SE Eurotrack 200	1416.30	1431.14	1429.33	1427.57	1432.12	1607.16	1342.95	1607.16	933.82
FT Ordinary	2429.6	2454.5	2475.7	2478.9	2512.2	2713.6	2255.5	2713.6	49.4
FT Govt Securities	90.64	91.83	91.28	91.08	91.59	107.04	90.64	127.40	49.18
FT Fixed Interest	108.19	108.20	107.99	108.25	109.02	133.87	107.33	133.87	50.53
FT Gold Mines	2199.69	2192.35	2208.73	2186.58	2153.23	2367.4	1762.02	2367.40	922.16
Predecessor Gold Mines	275.6	278.0	275.9	269.5	267.1	277.9	195.0	734.7	43.5

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	6
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	TSB	5.25
Bank of Baroda	5.25	Girobank	5.25	●United Bk of Kuwait	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	Unity Trust Bank Plc	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Western Trust	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Heritable & Gen Inv Bk	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25		
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of London Investment Banking Association
* In administration

FT GOLD MINES INDEX

	Sep 9	% chg since 31/12/93	Sep 8	Mkt Cap $bn	% of Gold Mines	Gross div yield %	52 week High	52 week Low
Gold Mines Index (36)	2199.69	-1.5	2192.35	54.28	100.00	1.85	2367.40	1522.68
■ Regional Indices								
Africa (16)	3400.75	+2.9	3415.72	17.49	32.22	4.03	3487.88	1909.23
Australasia (8)	2867.48	+7.5	2678.99	7.68	14.16	1.83	3013.89	1693.16
North America (12)	1746.86	-8.2	1728.35	29.11	53.63	0.74	2030.85	1363.00

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

LONDON SHARE SERVICE

BANKS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
ABN Amro Fl		222½	-5	Q81%	ф	Sep May	9'93	-
ANZ A$		188	-2.1	Q20c	0.7	Jan Jul	9.12	-
Abbey National	†N	396xd	-5.7	18.8	2.1	May Oct	16.8	5411
Allied Irish I£	♣†N	257xd		8.8	2.7	Oct May	16.8	1354
Anglo Irish I£	N	60	-3.2	Q17.9%	1.7	Jan Jul	0.8	1365
Asahi Y		675½	-10.8	Q14%	ф	Jun Dec	12'92	3049
Banco Bil Vz Pta		£15½	-4	Q27.2%	2.7		7'93	-
Banco Sant Pta		£28⅛		Q39%	2.0		1.8	-
Bk Ireland I£	♣	285	-7	Q13.3%	3.2	Jul Dec	16.5	1390
Bank Scotland	♣N	208½	-5	6.85	2.4	Dec Jul	16.5	1742
9¼pc Pf		118½	-7	9¼%	-	May Nov	25.4	1462
9¾pc Pf		117½	-1.1	9¾%	-	May Nov	25.4	1665
Barclays	♣†N	565xd	-2	18.85	1.8	Oct May	15.8	1764
Dai Ichi Kan Y		211¼	-4.7	Q17%	1.2	Jun Dec	27.9	-
Deutsche DM		£302½	-5	Q33%	-	May	5'93	-
Espirito Santo		£10½	-4	Q68c	5.2	Jun	6'93	5187
First Nat Fin	N	71	2.2	1.9	-	Mar Aug	18.7	2571
6.3pc Cv Pf		77		6.3%	-	Jul Jan	6.6	2570
7pc Cv Pf		128	2.0	7.0	-	Jul Jan	8.0	1488
Fuji Bank Y		1347¾	-7.2	Q17%	ф	Dec Jun	7'93	-
HSBC HK	†N	788xd	1.5	24.5	2.4	Nov Jun	5.9	2790
HSBC (75p Shs)	†N	740xd	1.8	24.5	2.4	Nov Jun	5.9	2776
Lloyds	†N	552xd	-2.1	22.0	2.1	Oct May	8.8	2171
Mitsubishi Y		£15⅛	-5.7	Q17%	ф	Jun Dec	12'92	-
Mts Tst & Bk Y		690	-7.1	Q18%	12.4	Jun Dec	12'92	-
Mitsui Tst & Bk Y		711¼	-4.2	Q17%	5.5	Jun Dec	12'92	-
Nat Aust A$	†	494	-4.1	Q58c	1.7	Jul Jan	21.0	-
NatWest	†N	503xd	2.0	15.4	2.4	Oct May	8.8	3483
Oceanano FFr		222	3.5	Q128%	ф	May	25.5	-
Ryl Bk Scotland	♣†N	421	-3.0	12.0	1.9	Feb Jul	18.8	3874
Sakura Y		284¼	-4.9	Q17%	3.0	Dec Jun	12'92	-
Sanwa Y		£72½	-5.8	Q18%	2.0	Jun Dec	12'92	-
Standard Chartd	†N	271xd	6.3	6.32	4.2	Jun Oct	22.8	4094
7.375pc Prf		83¼xd	-1.2	7.37	-	Apr Oct	22.8	1790
Sumitomo Y		211⅞	-7.4	Q17%	8.7	Jun Dec	12'92	-
Sumitomo Tst Y		860¼	-2.1	Q17%	ф	Jun Dec	12'92	-
TSB	†N	221xd	-2.0	8.07	2.5	Apr Oct	15.8	4320

CHEMICALS

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

Toronto-Dom		9¾		80c	JaApJyOc	12.5	1207
Trans Can Pipe	♥	8⅜	-3.3	84c	JaApJyOc	1.12	-

SOUTH AFRICANS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		230	—	Q375c	1.6	Oct Apr	3'93	-
Barlow	Z	94½	-3.7	Q18c	-	Jul	20.6	-
Gold Flds Prop R		127xd	—	Q52c	ф	Feb Sep	31.1	-
NK Props	Z	95	—	Q67.1c	ф	Feb Sep	10.18	-
SASOL	♥	479	-.8	Q78c	-	Oct	23.9	3919
SA Brews		£12⅛	-1.4	Q136c	2.3	Dec Jun	30.5	-
Tiger Oats	†	600	—	Q95c	2.9	Jul Feb	6.6	-
Tongaat-Hulett		981	-.2	Q70.0c	2.4	Feb Aug	4.1	-

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) UK & Irish incorporated non-listed companies.
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ *Merger bid or reorganisation in progress*
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ф Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/ or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1994 L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94 N Figures based on IIMR "Headline Earnings" P Figures based on prospectus or other official estimates for 1994. R Gross. S Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1236 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Aromascan (Engineering), Copyright Promotions (Media), Pillar Props. (Property) and Chamberlain Phipps (Textiles). Deletions: Pacific Media (Distributors), Speer (J.W.) (Leisure & Hotels), Cont'L Bank and Questex (Americans).

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Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close September 9

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅛	12¾	AAR	0.48	3.6	27	618	13½	13⅛	13½	+⅛
16⅞	17⅝	A L Labs A	0.18	1.1	36	168	15⅞	15¾	15⅞	+⅛
75¼	57⅝	AMP	1.60	2.3	25	1781	73	71½	71⅞	-1⅛
72¾	52⅛	AMR			101	4143	58⅜	57½	57⅞	-1
5	3⅛	ARX			13	124	4	3⅞	3⅞	+⅛
58⅛	26⅝	ASA	2.00	3.9	34	867	51¾	51⅛	51⅝	+¾
31⅞	25⅛	AbbotL	0.76	2.5	17	9304	30¾	29⅝	29⅞	-1
14½	11⅞	Abitibi Pr	0.50	3.5	18	122	14¼	14⅛	14¼	-⅛
23⅝	17¼	ABM Ind	0.52	2.3		43	27½	22¼	22½	
15⅛	11⅛	Acptncein			27	68	14⅞	14¾	14¾	-¼
31	22¾	ACE Ltd	0.44	1.8	30	114	24⅝	24	24¼	
12½	9⅝	ACM Gvt In x	1.09	11.1		205	10	9⅞	9⅞	-⅛
18⅛	7¼	ACM GvtOpp x	0.80	11.8		106	7¼	d7⅛	7¼	-⅛
10⅝	7½	ACM Gvt Sp x	0.96	12.6		472	7¾	d7½	7⅝	
12	8¾	ACM Gvt Se x	1.09	12.3		331	8⅞	d8¾	8⅞	+⅛
11¾	8⅞	ACM Man x	1.08	12.0		157	9	8⅞	9	
9¼	8	ACM Managd x	0.72	9.0		56	8⅛	d8	8	-⅛
15½	8¾	AcmeClv	0.44	3.7	14	133	12⅛	11⅞	12	
9⅞	6½	Acme Elect			7	34	8¾	8⅞	8⅞	-⅛
28¾	22	Acordia x	0.60	2.2	13	25	27⅝	27¼	27⅝	+⅜
13¾	5¼	Actava	0.36	3.3	3	1028	10⅞	10¼	10⅞	-¼
15⅛	11¼	Acuson			112	291	14⅝	14½	14⅝	
18⅝	18⅛	Adams Expr	0.48	2.7	8	84	17⅝	17½	17⅛	-⅛

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S -

Continued on next page

4 pm close September 9

NYSE COMPOSITE PRICES

Continued from previous page

1994 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
48⅞	32⅝	Sallie Mae x	1.40	3.7	7	6962	38½	38¼	38¼	-⅛
13⅞	11⅞	Salomon Br	0.32	2.5		354	12¾	12⅝	12⅝	
52¾	41½	Salomn	0.64	1.5	6	3029	42⅞	42¼	42⅜	-⅜
25	17½	SnDgGE x	1.52	8.2	16	518	18¾	18½	18½	-¼
19	7½	SantaFeERs	0.10	1.1	9	295	9⅜	9¼	9¼	-⅛
17⅞	13½	SFeGd				6321	17⅛	16⅞	17⅛	+⅛
40	31½	SantaFePac	2.80	7.9	16	20	35⅞	34⅞	35⅜	+⅜
26¼	18½	SanFeP	0.10	0.4	12	10880	22⅞	22⅛	22⅞	+⅜
26	19⅞	SaraLee x	0.64	2.9	14	5212	22⅜	22	22	-⅛
50⅛	42⅛	Scana Corp x	2.82	6.4	11	549	44⅛	43¾	43⅞	-¼
20½	12½	Scecrp	1.00	7.6	9	4435	13⅛	13	13⅛	-⅛
41⅛	31¾	SchenzrP			30	429	41	40⅝	40½	-⅝
71⅞	54½	SchrPl	2.04	2.9	16	6079	70⅞	69¾	70½	
63	38¾	Schlmb x	1.20	2.1	23	3668	57⅛	56⅝	56¾	-½
33⅞	23¼	Schwab(C)	0.28	1.0	13	1234	28½	27⅞	28	-¼
10¾	6⅛	Schwitzer			25	22	8¾	8⅝	8¾	
45	24⅞	SciAtl x	0.12	0.3	87	1524	44¼	43½	43⅝	-¾
16⅞	13	Scotman	0.10	0.6	15	26	16	16	16	
68⅜	37¼	ScottP	0.80	1.2	17	2473	64⅛	63½	64	-⅜
28⅝	18⅝	ScuddNAsF	0.21	0.8		195	25⅝	24¾	24¾	-⅞
12⅝	9½	ScuddrNEuF	0.16	1.6		190	10¼	10⅛	10⅛	-⅛
19¾	15½	SeaCnG	0.70	4.1	8	2166	17¼	17¼	17¼	-⅛
18½	14⅞	SeaC1.4625 x	1.46	8.4		5	18½	18½	18½	
32⅝	26¼	Seagrm x	0.80	2.6	39	2879	31¼	31	31¼	+⅛
29¾	22¾	Seagul En			33	846	25¾	25⅜	25½	-½
36¼	26⅝	Sealed Air			26	667	35½	34¼	34⅜	-1¼
55⅛	42⅛	SearsR	1.60	3.3	7	11503	49½	49	49⅛	-⅛
13¾	11¼	Seligm Sel	0.84	7.1		71	11¾	11¾	11¾	
36¼	29	Sensormat	0.22	0.6	66	1259	35	34¼	34¼	-⅝
30¾	27¼	SequaA	0.60	2.2	6	21	27½	27¾	27¾	-⅛
40¼	26	SequaB	0.60	1.8	17	28	32¾	32⅛	32⅛	-⅞
28	22½	ServCp	0.42	1.6	21	1441	26⅛	25⅞	26⅛	
29⅞	22	SvMstr	0.92	3.0	10	148	26⅛	25⅞	25⅞	-⅛
25	15	Shaw Ind	0.22	1.4	18	11237	15⅞	15⅝	15⅝	-⅛
25	19¼	Shawmut Nt	0.80	3.6	28	3500	22⅝	22⅛	22¼	-⅜
14⅝	9¾	Shelby Wil	0.28	2.9	31	12	9⅞	9¾	9¾	-¼
70⅛	56⅞	ShellTr	3.07	4.4	21	228	69⅞	69	69¼	-⅛
35¾	29½	SherW	0.56	1.7	17	1800	33	32⅝	32⅞	-½
25⅝	13⅞	Shoneys			10	1232	15	14⅞	15	-⅛
22⅞	13⅝	Showboat x	0.10	0.7	15	363	14	13⅞	14	+⅛
20⅞	17¼	Sierra Pac	1.12	5.7	11	183	19¾	19½	19⅝	-⅛
8⅛	5⅛	SignalApp			1	18	6¾	6½	6¾	+¼
43⅞	34½	Signet Bnk	1.00	2.7	11	1869	37	36½	36½	-½
26⅞	18¾	SiliconGr			21	1981	24⅝	24¼	24⅝	-¼
13⅞	11¼	Sizeler	1.12	9.0	34	66	12¼	12⅛	12⅛	
9⅞	5⅛	Sizzler	0.16	2.4	2	133	6¾	6⅝	6¾	
24⅛	17⅝	Skyline x	0.48	2.6	19	245	21¼	20⅞	20⅞	-¼
5	3½	SL Inds	0.06	1.4	15	23	4¼	4¼	4¼	
6½	4⅛	SmithCorp	0.20	4.1	81	187	4⅞	4⅝	4⅞	+⅛
17⅝	8⅝	SmthIn			109	559	15	14¼	14¼	-⅝
35¾	28⅜	SKBchA x	0.95	3.0	10	47	32¼	32⅞	32⅞	-⅜
32¼	23⅞	SKBEqU	1.17	4.0		2025	29⅞	29½	29⅝	-¼
24⅛	18¼	Smiths Fd	0.52	2.3	14	531	23⅛	22⅝	22¾	-⅛
26	20½	Smucker J	0.60	2.2	10	51	23⅛	23	23	
44⅜	34¾	SnpOnT	1.08	3.0	17	273	36	35¾	35⅞	-⅛
21⅞	17¼	Snyder Oil x	0.28	1.4	23	870	18⅞	18⅛	18⅜	-⅛
34	23⅞	Solectron			32	888	31⅛	30¾	31	-¼
34⅞	25	Sonat	1.08	3.3	18	5797	33½	32	32⅞	+⅛
63¼	40⅝	Sony	0.47	0.8	131	176	58⅞	58	58	-⅜
19¾	11¾	Sotheby	0.24	1.9	63	258	12¾	12⅝	12¾	
46⅞	40	Source Cap	3.60	8.8		10	41¼	41	41⅛	-⅛

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1994. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

[illegible]

NASDAQ NATIONAL MARKET

4 pm close September 9

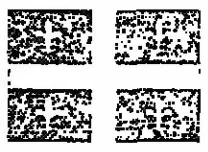
AMEX COMPOSITE PRICES

4 pm close September 9

FT GUIDE TO THE WEEK

12 MONDAY

Quebec provincial election



Opinion polls put the separatist Parti Quebecois well ahead of the ruling Liberal party, although the current Quebec premier Daniel Johnson is more popular than PQ leader Jacques Parizeau. If the PQ wins, it has promised to call a referendum on independence from Canada for the French-speaking territory within a year of taking office.

Peacekeeping: Nato's first peacekeeping exercises on former Warsaw Pact soil start outside Poznan in western Poland as part of the Partnership for Peace programme. For four days, 920 troops from 13 countries including the US, Lithuania, the UK, Romania, Italy and the Ukraine will practise peacekeeping operations at a cost of 20bn zlotys (US$900,000). Russia, a PfP member, declined to take part.

Abiola trial: The treason trial of Mosbood Abiola is scheduled to resume in the high court in the Nigerian capital, Abuja. Abiola is charged with declaring himself president in June, a year after his unofficial victory in the election which the army annulled. The trial was halted in mid-August when the previous judge withdrew, saying Abiola lacked confidence in his ability to conduct a fair hearing. However, the defence is asking for the trial to be adjourned on medical grounds.

Non-proliferation: Delegates from more than 160 governments meet in Geneva (to Sep 16) to prepare for a conference next year to decide whether to extend the 1970 nuclear non-proliferation treaty and for how long.

North Korea: US assistant secretary of state Robert Gallucci arrives in Japan for talks on North Korea's nuclear programme. He travels on to South Korea on Wednesday.

Meanwhile, talks continue in Berlin between senior US and North Korean officials (until Sep 14). The US diplomats had intended to propose providing North Korea with light-water reactors and other technical assistance as an incentive for North Korea to start negotiating the reduction of its nuclear weapon capacity.

Douglas Hurd, UK foreign secretary, visits Thailand at the start of an Asian tour.

English counties: The Local Government Commission gives its recommendations for future council structure in Gloucestershire – the final county to be covered. The commission now starts public consultation, with final recommendations for all of shire England due by the year-end.

FT Surveys: The Philippines and Dutch Finance and Investment.

Holidays: Switzerland (Zürich only).

13 TUESDAY

BIS gains board members

Alan Greenspan, chairman of the US Federal Reserve, joins the board of the Basle-based Bank for International Settlements. William McDonough, president of the Federal Reserve Bank of New York, also takes up a board position. As a founding member, the US has been entitled to two board seats since 1930 but has never taken them.

Gordon Thiessen, Canadian central bank governor, and Yasushi Mieno, governor of the Bank of Japan, also become BIS board members today. The BIS hopes the moves, which bring to 11 the number of countries represented on the board, will strengthen international monetary co-operation.

Japan and the UN: Boutros Boutros-Ghali, UN secretary-general, on a four-day visit to Japan, meets prime minister Tomiichi Murayama. They will discuss Japan's cautious moves towards a permanent seat on the UN Security Council. Cabinet ministers will also meet separately to discuss the question.

Savoy ahoy: The UK luxury hotel group, which includes Claridge's and the Connaught, as well as the Savoy itself, may have its future ownership decided at today's board meeting. Last week, the departure was predicted of Giles Shepard, Savoy managing director, who has bitterly resisted the advances of Britain's Forte group which has been stalking it for 13 years. The Savoy group announces its interim results on Wednesday.

US economy: The main data for August are released this week, starting with the consumer price index today, with retail sales on Wednesday, and industrial production on Friday. Following last week's above-forecast increase in producer prices, inflation fears have increased and with them the prospect of a near-term rate rise. Today's price index is expected to rise by more than last month's 0.3 per cent.

Washington DC mayoralty: The Democratic party holds the primary ballot for the position of mayor in the US capital. As the District of Columbia is idly Democratic, the outcome will probably determine the victor in November's ballot.

Favourite to win the nomination is Washington's former mayor Marion Barry, who lost the job after 12 years in power when he was caught smoking crack cocaine in a city hotel in 1990.

FT Survey: São Paolo.

14 WEDNESDAY

Polish debt reduction

Poland is due to sign a 49.5 per cent commercial debt reduction deal in Warsaw with the London Club Steering Group, representing about 450 creditors. The agreement, reducing US$14bn worth of debt, comes after almost a year of talks and will, for the first time since 1981, regularise Poland's financial relations with all its western creditors.

OECD leadership: The vexed question of who should lead the 25 nation Organisation for Economic Co-operation and Development is due for consideration by ambassadors of member states to the OECD. The chances of a consensus are unclear. Over the weekend, EU ministers rallied behind Jean-Claude Paye, the present incumbent, who is seeking a new term from the end of this month. But the US has stepped up its opposition to Paye. The Clinton administration has been supporting Donald Johnston, a Canadian politician, with support from other non-European countries.

Lloyd's of London is due to decide details of its strategy to collect several hundred million pounds in debt from loss-making Names, the individuals whose assets traditionally support the insurance market. Lloyd's authorities said last month they were poised to hire commercial debt collectors.

The European Parliament begins a two-day plenary session.

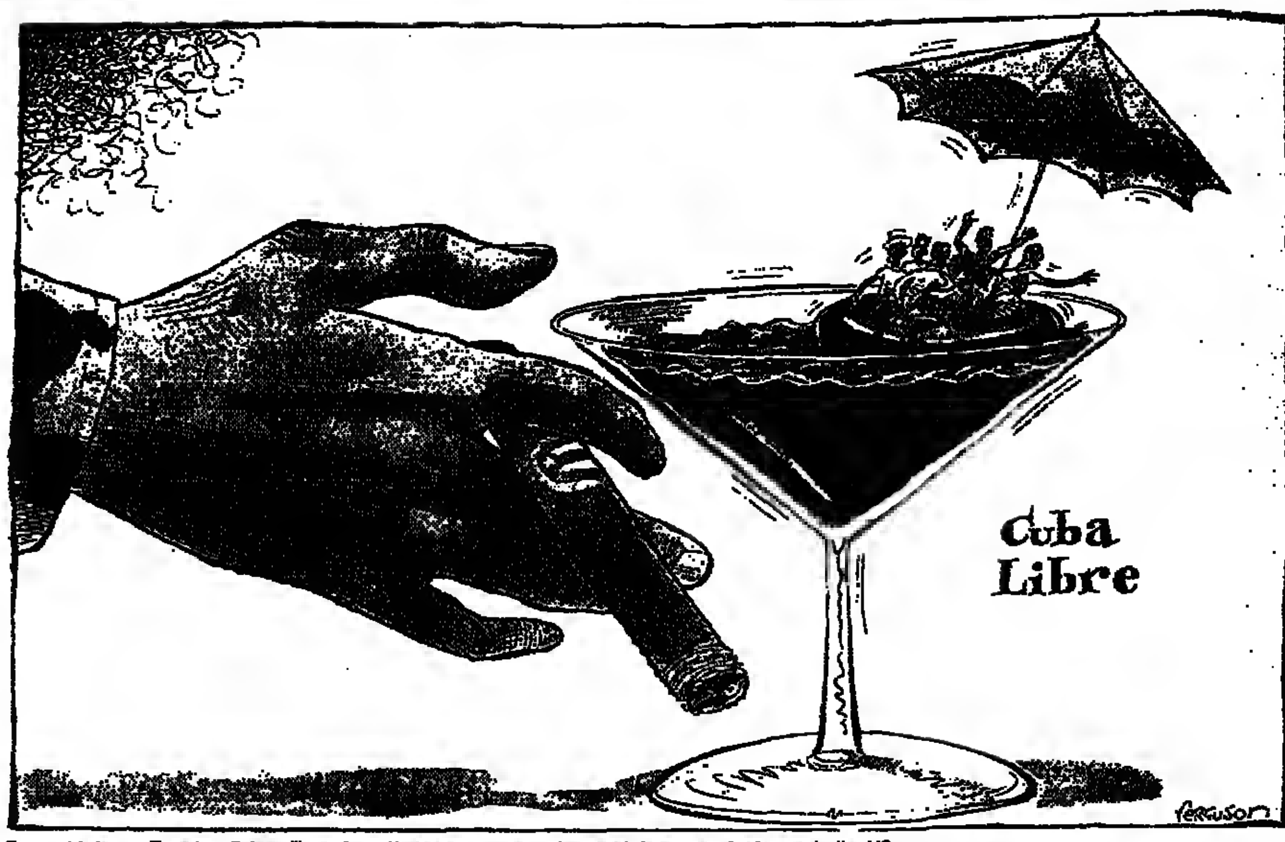
British Coal privatisation: Bidders for mining assets must submit tenders by 5pm today. The five regions are each likely to attract a least three bids. Some of seven recently closed stand-alone pits will also attract interest.

UK economy: The retail price index and average earnings data will be scrutinised for signs on whether the downward trend in UK inflation will continue into the autumn. The annual rate of RPI is expected to have fallen further in August, highlighting the low inflationary pressures in the UK economy.

Saleroom: The costume that Charlie Chaplin wore in his 1940 film satire on the rise of Hitler, The Great Dictator, is on offer, complete with swastika armbands, at Sotheby's. It is expected to sell for about £30,000.

Key questions: The second World Piano Competition begins in London (to Sep 27). It is open to pianists of all nationalities under the age of 29.

Holidays: Israel (Eve of Yom Kippur).



From mid-day on Tuesday, Cuba will use force if necessary to stop the illegal departure of refugees to the US

15 THURSDAY

Ukraine's parliament meets

Ukraine's parliament opens its autumn session with economic reform at the top of the agenda. Over the past month, President Leonid Kuchma has worked behind the scenes to push Ukraine to meet conditions for international assistance. The efforts to cut the deficit, liberalise prices and reform the currency face tough opposition in a parliament dominated by anti-reformers. If Mr Kuchma wants reform, he must court, or push out, the conservative prime minister and parliamentary chairman, who make up the governing troika.

Douglas Hurd, Britain's foreign secretary, arrives in Hong Kong. His visit comes at a time when Sino-British co-operation over the colony appears to have worsened. Hopes that Beijing would soon approve airport financing and an extension of Hong Kong's container port have all but evaporated.

Saleroom: A recording of John Lennon playing with his first band, The Quarry Men, at a church social in Liverpool in 1957 is expected to sell for more than £100,000 at Sotheby's. It is the star lot in a pop memorabilia sale which also includes Paul McCartney's manuscript lyrics of "When I'm Sixty Four" which could make £38,000. An original Beatles bass drumskin is expected to fetch up to £40,000.

FT Survey: Northern Ireland.

Holidays: Israel (Yom Kippur), Japan (Respect-for-the-aged Day).

16 FRIDAY

Hurd visits Japan

Douglas Hurd, the UK foreign secretary, arrives in Japan for a three-day visit. He will meet prime minister Tomiichi Murayama, foreign minister Yohei Kono, and a cross-section of senior officials and businessmen to talk about international, regional and bilateral issues, including trade and political relations.

Germany's Bündnis 90/Green Party starts a two-day meeting in Munich, one week before Bavaria's state elections and less than a month from the federal elections. The Greens, which merged with Bündnis 90 last year, got 3.8 per cent of the vote in the 1990 federal elections.

Scot FM, a radio station for central Scotland comes on air. It will be the fifth regional station to be launched in the UK within a fortnight. The new stations should boost commercial radio's 47.4 per cent share of total listening.

UK economy: With the UK public sector's borrowing requirement now expected to come below the Treasury's forecast of £36bn in 1994-1995, the release of the monthly PSBR figure on Friday will be watched in the markets for indications that the government's borrowing requirements are falling further. Although July's PSBR of £1.1bn was sharply lower than the City expectations, August's PSBR is expected to rise to £2.1bn.

Holidays: Mexico (Independence Day).

17-18 WEEKEND

Swedes go to the polls

Sweden's Social Democratic Party, architect of the country's ubiquitous welfare state, expects to return to government in Sunday's general election after three years in opposition to a reformist right-centre coalition led by the energetic prime minister Carl Bildt. Opinion polls over the past two weeks suggest the party will fall short of a majority, raising the question of where its leader Ingvar Carlsson will look for support in tackling Sweden's budget deficit and 14 per cent unemployment.

Hong Kong goes to the polls on Saturday in its first fully democratic election in 150 years of British rule. Voters will be choosing from 757 candidates to fill 346 seats in 18 district boards. These are the least powerful of the colony's three tiers of government.

The Liberal Democrats, Britain's second opposition party, open their conference at Brighton on Sunday (to Sep 22). Appearances by both the head of the employers' organisation, the CBI, and the general secretary of the trade union movement will underline its intention to remain distinctive. So should debates on a top tax rate of 60 per cent for those earning more than £100,000 a year, and a proposal to abolish the monarchy after the present Queen's reign.

Compiled by Patrick Stiles and Ian Holdsworth.
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ECONOMIC DIARY

Other economic news

Monday: A spate of UK economic data will focus market attention on the strength of the British recovery this week.

With the markets now wondering how long the low-inflation background can continue, producer price data released today will be scrutinised for any sign that manufacturers have succeeded in passing recent input price rises on to their customers.

Tuesday: Last week's German GDP data has again focused attention on the unexpectedly strong pick-up in the German economy.

July retail sales data due early this week are expected to show that consumers remain relatively cautious, however, with retail sales forecast to show a year-on-year fall of 0.5 per cent.

Wednesday: UK unemployment data are expected to show a continued fall in unemployment levels.

Thursday: Meanwhile, UK retail sales figures are expected to indicate a drop in the level of activity, amid growing market suspicions that the recent growth in consumer spending may now be beginning to tail off, as April's tax rises begin to bite into household budgets.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	France	Aug CPI - Preliminary*	0.0%	0.0%
Sept 12	France	Aug CPI - Preliminary**	1.7%	1.7%
	UK	Aug PPI Input*	0.4%	0.5%
	UK	Aug PPI Input**	2.6%	2.5%
	UK	ex-Food, Drink & Tobacco**	1.8%	1.9%
Tues	US	Aug CPI	+0.4%	0.3%
Sept 13	US	ex-Food & Energy	+0.3%	0.2%
	US	Q2 Current Account	-	-$31.9bn
	US	Aug Real Earnings	-	0.0%
	Japan	Aug WPI*	0.1%	-0.2%
	Japan	Aug WPI**	-1.3%	-2.0%
Wed	US	Aug Retail Sales	+1.0%	-0.1%
Sept 14	US	ex-Auto Sales	+0.4%	0.4%
	Japan	Aug Trade Bal. Cust. Clear. Basis	$7.9bn	$12.3bn
	UK	Aug RPI*	0.3%	-0.5%
	UK	Aug RPI**	2.2%	2.3%
	UK	ex-Mortgage Interest Payments**	2.1%	2.2%
	UK	Aug Unemployment Rate	-12,000	-11,800
	UK	Jul Average Earnings	3.75%	3.75%
	UK	Jul Unit Wages 3 Monthly**	-0.1%	0.1%
Thurs	US	Initial Claims w/e Sept 10	330,000	330,000
Sept 15	US	State Benefits w/e Sept 3	-	2,896,000
	US	Jul Business Inventories	+0.6%	0.4%
	US	M2 w/e Sept 5	+$0.7bn	-$1.8bn
	US	Aug Monthly M2	-$6.2bn	$14bn
Sept 15	France	Jun Current Account S.A. FFRB	-	1.1bn
cont'd	UK	Aug Retail Sales*	0.2%	0.4%
	UK	Aug Retail Sales**	3.7%	3.8%
	Canada	Aug CPI - All Items*	0.3%	0.4%
	Canada	Aug CPI - All Items**	0.3%	0.2%
	Canada	ex Food & Energy**	0.1%	-0.1%
	Canada	Aug Lead Indicators* (seas adj)	0.4%	0.3%
Friday	US	Aug Industrial Production	+0.5%	0.2%
Sept 16	US	Aug Capacity Utilisation	84.1%	83.9%
	US	Sep Michigan Sentiment - Prelim	-	91.7
	US	Aug Bank Credit	-	12.5%
	Japan	Jul Industrial Production S.A.R.	-	2.7%
	Japan	Jul Shipments S.A.R.	-	4.8%
	UK	Aug PSBR	£2.1bn	£1.1bn
During the week...				
	Japan	Q2 GDP	0.5%	3.9%
	Japan	Aug Tokyo Dept Store Sales	-	-2.9%
	Germany	Jul Retail Sales - West**	-0.5%	0.0%
	Germany	Jul Retail Sales - Pan Germany	-1.8%	0.0%
	Germany	Aug WPI*	-0.1%	-0.4%
	Germany	Aug PPI*	0.0%	0.1%
	Germany	Aug PPI**	0.5%	0.4%
	Italy	Jul Industrial Production**	5.0%	5.3%
	Sweden	Aug Unemployment Rate	8.7%	8.8%

*month on month, **year on year

Statistics, courtesy MMS International.

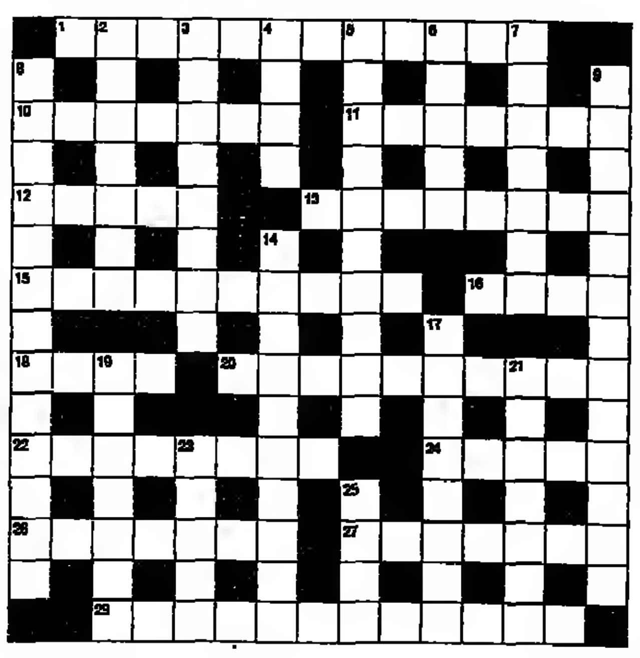
MONDAY PRIZE CROSSWORD
No.8,556 Set by DINMUTZ

ACROSS

1 Leave unbalanced sort of store? (12)
10 Paper, as ordered, comes out (7)
11 Put on a hill, one might purchase a paper flag (7)
12 Individual going to doctor is an idler (5)
13 HP terms available here in Devon? (9)
15 Characteristics of butter as it is churned (10)
16 One of twins hooked in the sauna? (4)
18 Entertainer in sorial announced (4)
20 Like a Philistine (one in a strict order)? (10)
22 Church leaders repairing manses for bishop, possibly (8)
24 Man behind a cross-saw? (5)
26 Spear taking ages as I throw? (7)
27 To scintillate, concentrate after midnight (7)
28 French composer's unfinished second, works all right (12)

DOWN

2 Former pilot crashed in stunt (7)
3 Don using acid came unstuck (8)
4 Exclamation of disapproval shut out (4)
5 Former seed is a home winemaker (10)
6 Having harmonised puts strain on note (5)
7 Understatement in T.S. Eliot play (7)
8 One who keeps our issue in order? (13)
9 Bond supporting her, for example, in declaration (13)
14 Embarrassments when French stars appear? (10)
17 Lawbreaker needing double Dutch ? (8)
19 Crumples as credit relaxes (7)
21 Rogue in a tornado over Canada? (7)
23 Left out of paltry display (5)
25 A grand entrance where the Taj Mahal stands (4)



A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday September 22, marked Monday Crossword 8,556 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday September 26.

Name..

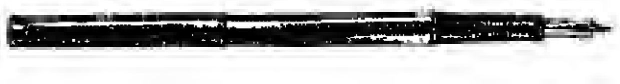
Address..

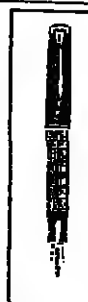
....

Winners 8,544

F.W.J. Teale, Harborne, Birmingham
Mrs D. Clay, Blythe Bridge, Stoke-on-Trent
P. and S. Coleman, Berkhamsted, Herts
G.F. Julier, Epsom, Surrey
J.M. Mackie, Cobbetts Hill, Surrey
G.D. Pickering, Brussels, Belgium

Solution 8,544

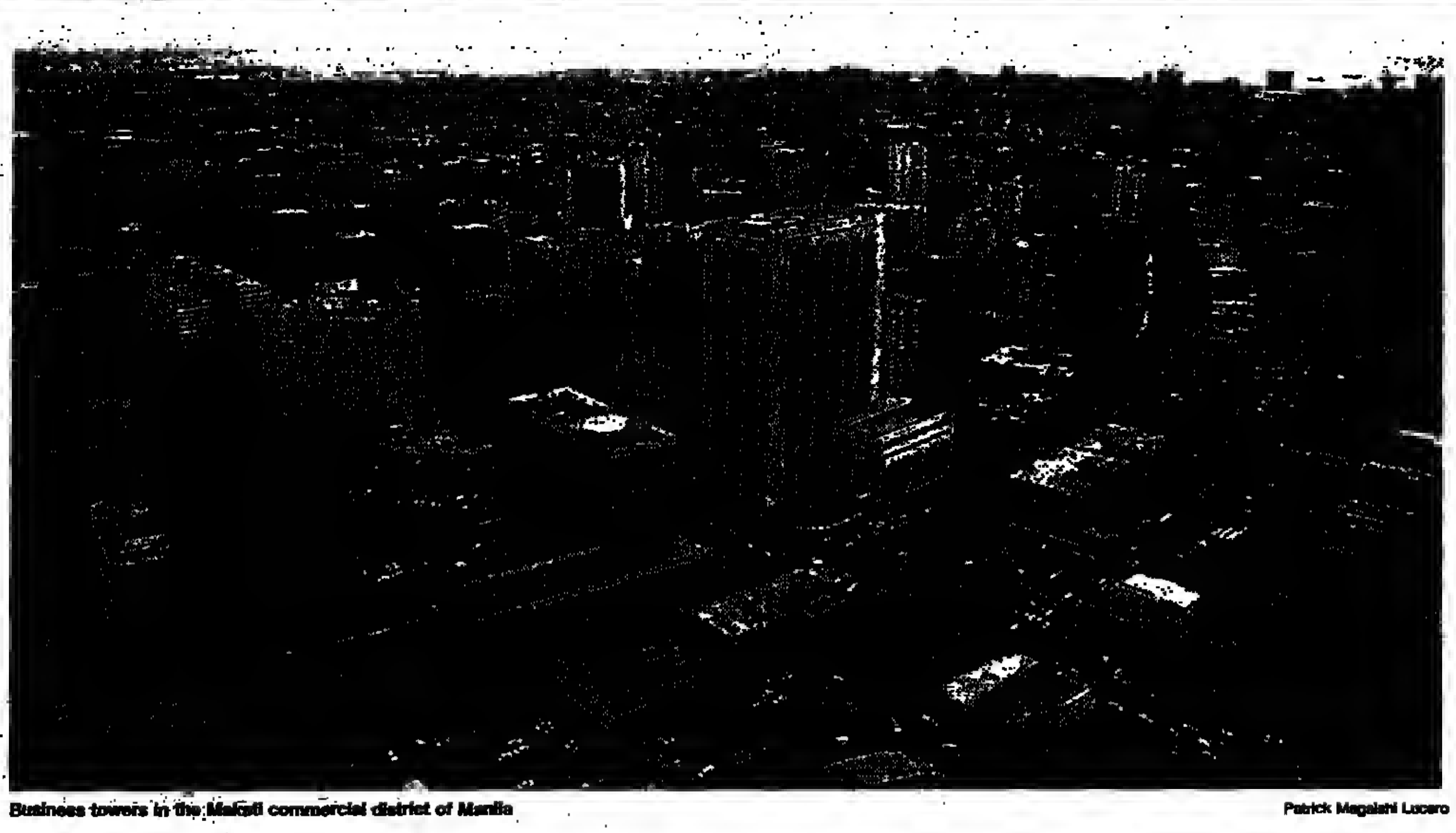




FINANCIAL TIMES SURVEY

THE PHILIPPINES

Monday September 12 1994



Business towers in the Makati commercial district of Manila — Patrick Magalan Lucero

Gaining on the neighbours

The government has devised a programme which it hopes will produce economic growth closer to that of other south-east Asia countries, writes Jose Galang

As the "sick man of Asia" for much of the past decade, the Philippines missed the investment flows that helped to transform the region, where it enjoys e strategic geographic position, into the world's economic growth leader.

But the patient, having been wheeled out of intensive care, is now leaving the recuperation ward, and is ready to join in the dynamic regional economic development.

The Philippines is "in the most advantageous position, for at least a generation, to finally realise its true economic potential," said Mr Howard Handy, senior resident representative in Manila of the International Monetary Fund (IMF), in a recent talk with locally based businessmen.

He said the outlook for the country remained "highly encouraging" following the launch of "a home-grown [economic] programme, well crafted by a competent and committed administration."

This programme aims to lift the Philippines' economic growth rate from 2.3 per cent in 1993 to about 6 per cent by 1997 – closer to the levels achieved by its south-east Asian neighbours. It also seeks an inflation rate of 4 per cent by 1997, to assist the country's competitiveness with a stable exchange rate.

The economic programme was granted IMF support in June, with a three-year credit worth $684m. This in turn triggered a rescheduling package from the country's Paris Club official creditors, covering debts falling due until the end of 1995; and new official development assistance commitments worth $2.8bn each for 1994 and 1995 by the World Bank-led consultative group of aid donors.

By the end of these assistance programmes, the Philippine economy should already be taking off, officials led by Mr Roberto de Ocampo, the finance secretary, forecast.

After struggling with power shortages in 1992 and 1993, investors are becoming more aggressive, in an environment made more open and liberalised by the government's reform initiatives. The labour sector, too, has stabilised, with fewer strikes in the past couple of years.

The economy grew in the first quarter of this year by 4.8 per cent, the best performance for a three-month period since 1990; and early estimates point to second-quarter expansion of more 5 per cent over last year. This has led to expectations that the 4.5 per cent target for the whole of 1994 will be exceeded.

The government of Mr Fidel Ramos, the cigar-chomping former army general who won the 1992 presidential elections with just 23 per cent of the vote, continues to consolidate its hold on power by widening a "rainbow coalition" with members of Congress. In late August, Mr Ramos's ruling Lakas-National Union of Christian Democrats (Lakas-NUCD) party forged an alliance with the opposition Laban ng Demokratikong Pilipino (Struggle of the Democratic Filipino).

While the alliance was ostensibly intended to achieve a common ticket for the 1995 elections for congressional and local-government officials, it also enhanced the administration's chances of getting legislative support for its wide-ranging reform measures.

"Through coalition-building and consensus politics," said Mr Jose de Venecia, speaker of the House of Representatives and secretary-general of Lakas-NUCD, "the Philippines will be achieving its own economic miracle." The miracle, however, would be "of a slightly slower pace [compared with other Asian growth rates], since we are trying to achieve results without a dictatorship and without recourse to arms."

The Filipinos' sad experience with the strong-man rule of the late Ferdinand Marcos, who was ousted in 1986 and died in exile in Hawaii three years later, has been a significant factor behind the strong preference for democracy.

Mr Ramos has achieved the political stability on which economic gains are being erected. So far, his reform initiatives have largely withstood the resistance from sectors most hurt by the changes. His tax reform programme received encouragement in August, with a favourable Supreme Court ruling on the new, expanded value-added tax law, paving the way for its much-delayed implementation. The VAT law had been opposed by various sectors, which feared that it would lead to increased inflation.

Another achievement of the Ramos government has been the restoration of a normal electricity supply to the main island of Luzon, including metropolitan Manila. During 1992 and 1993, industrial activity had been handicapped by power-cuts that often lasted between 10 and 12 hours a day.

With the granting of emergency powers by Congress, in 1993, Mr Ramos facilitated the entry of private groups into power projects that were exempted from the usual cumbersome procedures for government undertakings. In less than a year, the supply shortage was overcome – even if local power rates are now the second-highest in Asia, because most of the available capacity comes from oil-fuelled stations.

The president has also cemented relations with the country's neighbours in Asia, by visiting all of them during his first year, along with a trip last November to the US, the Philippines' old colonial master. On all of these visits, Mr Ramos has encouraged investment in the Philippines.

This month, he takes his programme to Europe, with stops in Belgium, France, Spain, Germany and Italy, where he will once again deliver the message: "The Philippines is back in business in the heart of the world's fastest-growing region."

Mr Ramos approaches the future with confidence. He recently launched a programme of "three modernisations". In his state-of-the-nation address in June, the president listed these as: increasing the economy's productivity and competitiveness; making "people empowerment" work, in place of political patronage; and social reform, to modernise the Filipino family and the national community.

He said there would be more attention to small and medium-sized industries as the "building blocks of economic democracy". There would also be an orientation towards exports, augmented by the country's accession to the Uruguay Round of the General Agreement on Tariffs and Trade.

Further reforms in government would include a reorganisation and streamlining of the bureaucracy. "We are not getting the full worth of every peso we spend on each government agency," he said.

As part of its social-reform agenda, the government will channel more money into basic education, health care and land reform. Its proposed budget for 1995 allocates 22.3 per cent of expenditure to social services – the second-largest item after business-related and infrastructural spending, which receives 43.9 per cent.

These policies have not failed to gain favourable reaction even from some of the country's leading opposition politicians. Mr Juan Ponce Enrile, a former member of the Marcos cabinet and currently a member of the House of Representatives, said recently: "I think one should not be blind to the fact that the administration has got this country out of the doldrums, and we are now stabilising and moving forward."

Other observers familiar with the Philippines, however, say that after the recent gains, the next question will be: "how long before the next self-inflicted setback?" Dramatic gains have also been recorded in past attempts to put the government and the economy in order. In 1988, economic growth was approaching double digits, but attempted *coups d'état* towards the end of 1989 scared investors away.

In the early months of the Ramos government, a series of kidnaps, mainly of ethnic Chinese and foreign nationals, also deterred foreign investors. That problem has been contained, particularly by Mr Ramos's placing Mr Joseph Estrada, his vice-president, in charge of the presidential anti-crime commission.

Some economists warn that the current deficits in the country's trade account, if not reduced, could precipitate another crisis in its external transactions, leading to another "boom-and-bust" cycle like those that defeated previous attempts at sustained economic growth.

So far, however, economic managers say that healthy capital flows have made up for these trade gaps. The World Bank, in a report in June, noted that the government's initiatives had created opportunities for foreign investors. Other reforms in the legislative pipeline, it added, would "further enhance efficient private sector development".

Tourism treads a rough path

■ Until recently the political climate was unstable. The country still gets more than its fair share of natural disasters. And the paucity of infrastructure is more annoying than exhilarating. Yet despite these difficulties, the number of visitors does appear to be rising slowly. See Page 8 of this survey.

ALSO

Going up: shoppers in a new mall in north Manila — Patrick Magalati Lucero

The economy: **Jose Galang** analyses the growing optimism

Property points the way

The current scramble for a large property development project in the Philippine capital indicates the level of confidence in the country's economy.

Some of the leading local business groups have teamed up with foreign companies to bolster their bids for the project, a 214-hectare parcel of land in a military camp, Fort Bonifacio, which is being converted into a commercial and trading centre for metropolitan Manila.

At a price which some describe as stiff, the winning group will need to put up et least 11.8bn pesos for a 55 per cent share of the undertaking, in partnership with the government. No fewer than 25 local firms and several respected names in the real estate business in Hong Kong, Singapore, Thailand end Japan have formed alliances to bid.

Over the past couple of years, investors have taken note of the economic liberalisation initiatives being pursued by the Ramos government, which have resulted in a more level playing field and competitive costs of doing business.

"The country feels a surge towards [economic] recovery, fully supported by such factors as low interest rates, single-digit inflation, a stable foreign exchange rate, rising investments in housing and construction, rising consumption, and the vigorous development of new growth centres outside the capital region," according to Mr Jaime Zobel de Ayala, chairman and president of Ayala Corporation, whose property development arm is among those bidding for the Fort Bonifacio project.

The significance of Mr Zobel de Ayala's comments lies in the fact that the conglomerate that he heads has been around for 160 years – longer than any other Philippine business enterprise. The Ayala group has seen it all – wars, rebellions, prosperity in the 1950s, the rise and fall of a dictatorship, the rebirth of democracy – and survived. That it continues to seek avenues for expansion illustrates the prevalent sentiment in the local business community.

Economic growth this year is targeted by the government at 4.5 per cent, although the record in the first half indicates that this could be exceeded. By the end of the current medium-term economic programme, which in June got the backing of the IMF, the growth rate should be closer to those of the high-growth economies in the region.

The recent end to the electricity shortage, which in 1992-93 impeded economic recovery, should allow the industrial sector to become the engine of growth. Agriculture, which employs 45 per cent of the labour force, is also expected to recover from first-quarter stagnation caused by last year's typhoon damage.

Official policies will continue to be biased towards deregulation and liberalisation, according to Mr Roberto de Ocampo, the finance secretary. The shift towards more outward-looking policies "has put our economy on a path towards rapid growth," he said in a recent interview.

Mr de Ocampo acknowledged that this year's target rate remained modest compared with those of other south-east Asian economies. However, Philippine growth "is in fact a little more dramatic", given that it comes from a lower base. Philippine GNP increase in 1993 was 2.3 per cent, from a plateau in 1992 and 1991.

The finance secretary cited other factors that now make the Philippine economy more attractive: the large pool of English-speaking, highly skilled workers, and a culture that has a close affinity and familiarity with western business practices; as well as the country's strategic location at the gateway of the Asia-Pacific region.

In July, Mr de Ocampo led e Philippine team of economic managers to the meetings with the Paris Club of official creditors and the consultative group of donor nations and institutions, at which new economic concessions were granted to the country. Participants in these meetings were largely optimistic about Philippine prospects.

The Ramos government's reform initiatives started barely two months after it had assumed office, by widening the relaxation of foreign exchange controls on current transactions, started by the previous administration. In August 1992, the government allowed the free flow of foreign exchange and gold, and removed the requirement for exporters to remit foreign exchange revenues to be sold only to Manila banks.

These have since been relaxed further, by raising to $3m the maximum amounts that Philippine residents may buy from local banks for investment abroad. If secured from sources other than banks, a resident may take out any amount of foreign exchange.

Also lifted were restrictions on the flow of funds into and out of the local capital markets, which helped bolster the level of foreign participation in the stock exchanges.

In July 1993, e new central monetary autbority, the Bangko Sentral ng Pilipinas (Central Bank of the Philippines) was established after the old central bank had ceased to be effective in its tasks of stabilising inflation and the exchange rate, owing to heavy losses incurred from mismanagement during the Marcos administration.

Mr Gabriel Singson, the Bangko Sentral governor, listed the following as the monetary agency's principal accomplishments in its first year:

■ Inflation has been reduced to 7.6 per cent in 1993 from 8.9 per cent in 1992. It rose above 10 per cent briefly in early 1994, but slowed to about 9.6 per cent by mid-year. It is targeted to fall further to 8.5 per cent by end-1994.

■ The overall balance of payments has consistently reflected a surplus, which at the end of the 1994 first quarter was $616m.

■ International reserves have risen steadily. At the end of July, they were estimated at $7.74bn, equivalent to nearly four months' imports.

■ The exchange rate has been largely stable, with fluctuations noted during an escalation in debates on whether the local currency should be devalued. By July, the peso was actually 6 per cent higher against the US dollar.

■ Interest rates declined, with the closely watched 91-day Treasury bill rate falling below 10 per cent in early August for the first time in many years. A reduction in the reserves requirement on bank deposits, from 20 per cent to 17 per cent on August 15, resulted in a drop in bank intermediation costs that pulled down lending rates.

Above all, through a variety of debt-reduction measures pursued over the past five years, the country's debt service burden had gone down to 19.5 per cent of annual exports in 1993, compared with a crippling 90 per cent at the height of the local foreign exchange crisis in 1983-85. Most of the country's foreign exchange obligations are now to bilateral creditors (39.4 per cent) and multilateral sources (22.9 per cent), with only about 18.7 per cent owed to commercial banks and other financial institutions.

The biggest obstacle to economic recovery, the chronic budget deficit, is also being tackled more decisively, according to the fiscal managers. In the first seven months of this year, the government recorded a surplus of 7.4bn pesos; and it projects that this can be sustained until the year-end. If that materialises, it will be the first budget surplus in over two decades. It will also bolster the budget proposal for 1995, now being scrutinised in Congress, which projects a surplus of 15.5bn pesos.

However, overall public sector spending, covering both the national government and the state-owned corporations, is still expected to show a deficit. In 1995, this is forecast to level off at 1 per cent of GNP, from an estimated 2.2 per cent this year.

KEY FACTS

Area	300,000 sq km
Population	65.7 million
Head of state	President Fidel Ramos
Currency	Peso
Average exchange rate	1993 $1=27.12 pesos
	Sept 5, 1994: $1=P26.3492 pesos; £1=40.7043

THE ECONOMY

	1992	1993
Total GDP ($bn)	52.8	53.7
Real GDP growth (%)	+0.7	+2.0
COMPONENTS OF GDP (%):		
Private Consumption	75.6	76.7
Total Investment	22.2	24.3
Government Consumption	9.7	8.7
Exports	29.2	31.6
Imports	-33.4	-39.4
ANNUAL % INCREASE IN:		
Inflation (% pa)	8.9	7.6
Wholesale prices (% pa)	4.6	-1.1
Share price index (%)*	9.1	154.4
AT YEAR END:		
Reserves minus gold ($m)	4,403	4,676
Discount rate (% pa)	7.6	6.5
Treasury bill rate (% pa)	14.5	15.9
Govt. finances as % of GDP †		
Revenue	17.9	17.7
Expenditure	19.7	18.6
Deficit	1.2	1.4
Total external debt ($bn)	32.6	n.a.
TRADE:		
Current account balance ($m)	-999	-3,289
Exports ($m)	9,824	11,375
Imports ($m)	14,519	17,597
Trade balance ($m)	-4,695	-6,222
MAIN TRADING PARTNERS (%) ‡	Exports	Imports
US	40.0	18.7
Japan	19.7	23.7
Germany	6.4	4.3
UK	3.7	2.4
EC	17.9	12.6

* Annual % increase in Manila composite at December 31.
† Government finances exclude grants received and other lending.
‡ Main trading partners % share by value in 1992.

Source: IMF, World Bank, Datastream, EIU.

Politics: Mr Ramos is gaining confidence in his use of power, says Jose Galang

Democracy heals divisions

Amid bickering between diverse political groups, Mr Fidel Ramos, who won the presidential election in May 1992 in a field of seven candidates, has mustered broad support for a reform-oriented economic programme.

He has pursued a reformist agenda under a democracy – an exception among the east Asian "economic tigers" bred under authoritarian forms of government.

Mr Ramos declared soon after taking office that, after the country's traumatic experience with authoritarian rule (under former president Ferdinand Marcos), his administration would try to duplicate the neighbouring countries' success stories, but with a democratic government that would attempt to reconcile the often unwieldy political culture with an oligarchical economy.

That the economy has grown substantially since he took over indicates that his strategy is on course. However, the wide gap between rich and poor, a raucous compilation of politicians often guided by material rather than ideological aims, and widespread corruption in the bureaucracy remain formidable obstacles to the Ramos government's programme.

These problems have been fodder for the local communist insurgency and its right-wing counterpart; though, with a programme that appears to have succeeded in dividing radicals and moderates within the rebel movements, the government has been able to slow their momentum.

Since the passage of a law early in the Ramos term, which legalised the Communist Party of the Philippines (CPP), its size has dwindled owing to attrition and the reduced attraction of joining the movement. From more than 25,000 armed regulars in 1986, the communist ranks had shrunk to some 7,500-8,000 by 1993. The number of violent incidents involving the CPP's armed unit, the New People's Army, had also slumped from about 3,600 in 1989 to about 1,500 in 1993. With the exception of one area in northern Mindanao, all regions in the country registered sharply lower insurgent activity in 1993.

As the strength of the communists declines, due partly to the improving economic conditions at home and the growing irrevelance of communism abroad, conflicts rack the decimated forces of the Philippine rebels. In this situation, the government has been able to drive top communist leaders, living in exile in the Netherlands, to the negotiating table.

This division has translated to weaker communist fronts in the labour sector. Left-wing militants were able to instigate strikes with impunity nearly a decade ago, but their appeal has largely worn off. Last year, the number of strikes was down to 121 from 182 in 1991, with the number of workers involved down by by 20,000 to 35,000.

President Ramos: 'not a perfect democracy, but it works for us'

The peace negotiatione are expected to continne the decline in the communist ranks. Military officers believe that the emaciated movement can only be capable now of limited terrorist actions in urban centres, though these can have jarring effects on the business sector.

Moslem secessionist groups in the southern island of Mindanao have also been participating in peace dialogues with the government. A ceasefire expected soon, to be supervised by the Organisation of Islamic Conference through Indonesia, could set the scene for a government initiative to end the 20-year conflict.

The two main Moslem groups, the Moro National Liberation Front and the Moro Islamic Liberation Front, are said to have a combined armed following of over 18,300. A third group, the extremist Abu Sayyaf, has become more identified with kidnap and extortion activities, however, and a government offensive on its main camp in July was believed to have severely crippled its strength.

Talks between the government and the Moslem groups, late last year in Jakarta, have led to an agreement to continne the dialogue, even though violations of the truce have occurred occasionally in recent months.

Meanwhile, the ultra-right rebels, after the attempted coup d'état in late 1989, have broken up, reportedly into at least four groups. Some of the leaders have been recruited to the political parties, with a few even fielded as candidates in the 1992 elections for Congress seats. None won any of the national positions, but a few were elected at local-government level. More of the former military rebels are being groomed for the 1995 elections.

As these favonrable developments ease the demands on the military, the armed forces have begun to take on such esoteric assignments as "community development" and "environment protection." These, acording to Mr Ramos, "possess the attributes most conducive to economic development and nation building."

The task of maintaining internal security, including the fight against insurgency, is to be turned over to the Philippine National Police (PNP), though this move is being delayed by debates at various levels, indicating its political sensitivity.

The recent alliance forged by Mr Ramos's ruling coalition, the Lakas-National Union of Christian Democrats (Lakas-NUCD), with the largest opposition party, Laban ng Demokratikong Pilipino (Struggle of the Democratic Filipino), is intended mainly to bolster each group's bid for the 1995 elections for Congress seats; though it could also be exploited by the Ramos administration to secure speedy approval for priority bills under its reform agenda, before the election campaign starts in earnest early next year.

In the Senate, many of the government's legislative initiatives have had a rough time. The national budget has in recent years been put through the wringer, after speedy passage through the House of Representatives.

In December, when Mr Ramos learned about drastic reorientation of certain financing programmes, he initiated discussions on a shift in the present presidential system of government, with a bicameral legislature, into a unicameral body. The initiative died after wide public disapproval of the plan, which was seen as a ploy to return to authoritarian rule.

Since then, he has resorted to frequent direct dialogues with members of the two chambers to get his priority bills moving. The excruciatingly long process on the Expanded Value-added Tax proposal is an example of how that type of partnership could be made to work.

Sceptics fear that the Laban-Lakas alliance could deepen the wedge already separating various contending factions in many parts of the country. And with local elections tending to be more emotional, some analysts are worried that the 1995 elections could be accompanied by violence.

Nevertheless, Mr Ramos appears to have gained more confidence in his use of political power, unlike his predecessor's awkward hold on the reins. He has been able to prove that democracy can actually avoid constitutional gridlock and pursue reforms, some of which require politically unpleasant policies. His primary concern now is to craft "a level of political will and national capacity" to spur his nation towards sustained economic growth.

"Our democracy is far from perfect," Mr Ramos has acknowledged, "bnt it works well enough for us to be able to move it away from the politics of patronage, guns, goons and gold."

If he can achieve that, the Philippines could become a new model for modernisation in a region of strongmen and garrison states.

The church initiated a protest rally in Manila, attended by hundreds of thousands of sympathisers Reuter

Population growth has divided government and church

Compromising for Cairo

This summer's flare-up in relations between the government and the Philippine Roman Catholic church was bound to happen eventually.

In a desire to show that overall economic growth is actually touching the lives of its 66.5m people, the government has sought to slow the population growth rate.

At the rate of expansion that was running at 2.3-2.4 per cent when the Ramos administration took over, population growth was an obvious priority. It set out to reduce the figure to less than 2 per cent by the end its six-year term.

High population growth has been identified as one reason why the Philippines has remained a laggard in a region of rapid economic region. Since 1980, for instance, the economy has recorded a net growth of only about 1.5 per cent, while the rest of its neighbours live in prosperity. About half of the Philippine population is estimated to live in poverty. The government hopes to cut that to 30 per cent by 1998.

In its medium-term plan, it has declared a family-planning programme as a key component of its "health, nutrition, and family planning services". Herein lies the heart of the conflict.

In contrast to the laid-back response of his predecessor, Mr Fidel Ramos has pursued an aggressive population programme that promotes the use of contraceptives. This has escalated over the last few months, with government commercials on radio and television advocating the use of condoms, pills and other contraceptive devices. The campaign was recently widened to include sex education among schoolchildren.

Mr Ramos, the Philippines' first Protestant president in a predominantly (85 per cent) Catholic country, was apparently gaining some headway, since latest official estimates showed that population growth in the first half of 1994 was about 2.1 per cent. This, government estimates show, has led to an increase in per-capita output in the first half, for the first time since 1990.

In late July, Cardinal Jaime Sin, Archbishop of Manila, issued a "letter to parents", in which he accused the government of a "destructive" policy on population, including the promotion of abortion and the use of pornographic materials for sex education among children.

The outburst was triggered by the government's apparent support, church leaders said, for a document presented at this month's United Nations conference on population and development, in Cairo.

However, the government expressed surprise. Health officials said it had not been promoting abortion or "sexual propaganda", but had been "providing natural and artificial methods, but we rest the decision on the woman, her reproductive rights and her choices."

Cardinal Sin asked the government to send to the Cairo conference delegates "with sane minds", and to oppose moves to introduce abortion. While other church leaders have singled out the US as being behind moves to push abortion at the conference, the cardinal said: "Global forces … are poised to bombard our children … with reading materials and films containing all sorts of pornographic, perverse and poisonous sexual propaganda as part of their 'education'."

The church followed up its harangue with a protest rally that drew hundreds of thousands (local press estimates put the size of the crowd at 1 million) to lambast the population programme and the government's stand over the Cairo conference.

Mr Juan Flavier, health secretary, has remained calm during the raging debate. He has also dropped the "pro-choice" slogan in promoting the various methods of family planning. He said he agreed with church leaders that "it was not the proper phrase to use on such as sensitive issue".

The debate has recently been joined by the Protestant United Church of Christ of the Philippines, where Mr Ramos attends Sunday eervices. It said that "women should have the power of choice" in such cases as rape or possible complicated deliveries.

Another local denomination, the Iglesia Filipina Independiente (Philippine Independent Church), has accused the Catholic leaders of "dictatorial" methods in promoting their objections to artificial family planning. "Supposed to be a defender of freedom, the church does not allow its members to practise freedom," complained Bishop Javier Gil Montemayor, a former Catholic, who heads the independent church.

Where the conflict will end remains unclear. But the Malthusians in the Ramos government face their greatest challenge yet. The Catholic leaders and the government subsequently had two meetings, which reached agreement on a common stand against abortion at the Cairo conference. They also agreed to tackle the Philippine population issue itself after the UN gathering.

Jose Galang

The Bangko Sentral ng Pilipinas has recorded a strong rise in foreign investments — Jeff Jones

Jose Galang reviews a more stable finance and banking sector

New rules bring benefits

Liberalisation of the Philippine financial sector – including the law introduced in May 1994, allowing the entry of more foreign banks into the country – has encouraged innovation and enhanced competitiveness of the local banking system.

"The move is part of this overall drive towards globalisation, which our local banks have consistently welcomed, because we have envisioned that the Philippines' economic future depends on being part of the international business community," says Mr Rafael Buenaventura, president of the Bankers Association of the Philippines (BAP), which groups the country's private commercial banks.

However, local banks, during the discussions on the banking liberalisation measure, have persistently called for a level playing-field, which includes the application of uniform rules on capitalisation and performance standards for both the existing banks and newcomers.

The local banks have also called for reciprocity in the grant of benefits to the foreign banks. Pushed by Mr Buenaventura, the proposed reciprocity is intended to provide a bargaining tool for the Philippine banking sector's own efforts to penetrate foreign markets, particularly when the economy shall have grown enough that local companies will start expanding overseas.

Not that the Philippine banks are uncompetitive. Since the first tentative signals from government to liberalise the economy at the start of this decade, they have been initiating their own moves to shape up. These have resulted in more stable institutions, compared with those in the early 1980s which easily wobbled when the economy ran into difficulty.

Proof of this, says Mr Gabriel Singson, governor of the Bangko Sentral ng Pilipinas, the central monetary authority, is the banking system's ability to withstand severe crises, such as the recent scam in the trade of government securities in the secondary market that also involved a few commercial banks. The central bank had to make emergency financial assistance to these banks which were hit by runs on deposits.

The damage, it turned out, was limited to the few banks and investment companies that got entangled in the scam. Owing to strict rules previously instituted by the monetary authority for banks involved in such types of transactions, the system emerged from that episode with only minor bruises. Even the banks that required emergency loans have started repaying Bangko Sentral.

The Philippine financial sector is actually composed of a grand total of 9,937 institutions, although commercial banks, numbering 33 with a nationwide network of 2,580 branches, dominate.

The commercial banks, at the end of 1993, had total resources of 864bn pesos ($38m), or 65 per cent of the total assets of the entire financial system. The commercial banks also accounted for 87 per cent of total deposits of 639bn pesos, which remain the largest sources of cash for the banking sector.

There are four foreign banks operating full-service branches in the Philippines. These are Bank of America, Citibank, Hongkong and Shanghai Banking Corporation, and Standard Chartered Bank. They were already doing business in the country when the General Banking Act, which closed the industry to foreign groups, was adopted in 1948, and so were allowed to remain.

Local banks have called for reciprocity in the grant of benefits to the foreign banks

Also operating in the Philippines are 17 offshore banking units (OBUs), which in 1993 had total assets of $1.57bn, including lendings of $568m. The OBUs' business volume has been declining over the past few years.

Since the removal of all controls on foreign exchange current transactions in 1992 and on the opening of new branches in 1993, the domestic commercial banks have actively skewed their services and products to catch the expected gains from the liberalised environment. Technology advancements also heightened the competitive atmosphere.

These factors, according to Mr Buenaventura, "have combined to generate a marketing revolution that is pushing traditional banking into oblivion. Competition – already very keen – continues to intensify."

Current features of the local banking system which, according to Mr Buenaventura, have "fortified their armada of innovative products and services", include:

- The local banks operate a widely dispersed network of automated teller machines (ATMs) that now totals 1,500 stations nationwide. Some of the ATM cards are linked internationally, enabling the Philippine depositors to access their peso and dollar accounts at home and abroad.
- Banks have also developed new services to to catch some of the huge remittances of Filipino overseas contract workers, which now amount to an estimated 2.4bn pesos annually, compared with 600m pesos five years ago. Philippine banks have either opened remittance centres abroad or established links with correspondent banks.
- In the battle for savings deposits, the banks have devised new accounts that offer yields of up to 10 and 12.5 per cent on certain minimum amounts – way above the 4-6 per cent interest rates on ordinary savings accounts.

At least 28 foreign banks have applied for the 10 slots allowed for wholly foreign-owned operations under the banking liberalisation law. However, those who fail to make the cut may still come in as co-owners, of up to 60 per cent, of existing domestic banks.

The implementing rules drafted by the Bangko Sentral for the banks' entry were, by end-August, being scrutinised by Congress. The rules are expected to be formalised and the foreign banks that will come in should be known before the end of 1994.

A concern in the banking system is the high cost of intermediation. Owing to high reserves requirements on bank deposits, a gross receipts tax on bank lendings, and mandatory allocation of portions of their lendings for agricultural and agrarian reform programmes of the government, the banks find it necessary to pass on the added costs to their clients.

The high yields on treasury bills, as the government continues to tap the local capital markets to finance its budget shortfalls, also push commercial lending rates up.

Until August 15, when Bangko Sentral reduced the required reserves from 20 per cent to 17 per cent of deposit levels, domestic interest rates hovered between 17 and 21 per cent. While these rates have attracted foreign portfolio investments in sizeable amounts (which have propped up the peso), they have also limited access by local users of capital.

The August 15 reduction in the reserves level has already pulled down treasury bill rates. Leading commercial banks have also cut their prime lending rates to around 13 per cent, from about 15 per cent previously. No further substantial declines are expected, however, as monetary authorities continue to be concerned about possible inflationary effects of such a move.


Japanese presence: Pentax camera assembly line, in the Mactan export processing zone, Cebu — Veronica Garbutt

The pace of trade and investment is increasing

Asian neighbours display interest

Even during the darkest days of the general slowdown in the Philippine economy in the mid-1980s, visitors to the country could not help noticing the brisk business at restaurants and shopping centres. Consumer spending had remained buoyant, although the official gross national product was contracting.

Economists attribute this to the extensive "underground economy" that had supported millions of Filipinos during times of adversity, and to the ever-rising remittances from overseas workers who had sought jobs in North America, the Middle East and other Asian countries for lack of opportunities at home.

It has been these remittances that have consistently made up for the slow domestic economy over the past few years. In 1993, for instance, while GDP increased by only 1.7 per cent, a 27.5 per cent rise in the income from abroad pushed up the overall GNP expansion to 2.3 per cent.

This was still evident from the economy's first-quarter record. While GDP rose by 3.8 per cent, income from abroad expanded by 44.7 per cent, which boosted the period's overall GNP growth to 4.8 per cent from the year before.

The point of all this is that the Philippine economy can rely on an underlying strength that could see it through difficult times. The improving macroeconomic fundamentals, as such, can only mean that investors may expect big gains as the economic growth gathers momentum.

With the 2.3 per cent GNP growth in 1993 came a 9.2 per cent increase in revenues and 22 per cent leap in profits of the country's 5,000 largest corporations. The declining trend in the overall cost of doing business (slower inflation, lower interest rates and stable exchange rate), therefore, should make the Philippines an attractive area for investment.

In the first half of 1994, the number of business plans registered for incentives with the Board of Investments (BOI) reached 327 – an increase of 32 per cent over last year. These projects were estimated to require total costs of 239.5bn pesos ($9bn), higher by 449 per cent than last year, of which over 80.3bn pesos will be in the form of direct equity from the investors.

In terms of actual foreign investments brought into the country, the Bangko Sentral ng Pilipinas, the country's central monetary authority, registered a total of $556mm in the first three months of 1994 – a giant leap over the $188m in the same period last year, mainly due to a $502m remittance made by the Saudi Arabian Oil Co for its newly acquired 40 per cent holdings in Petron, the country's leading oil company.

This, along with the steady stream of foreign investment missions visiting the country, has led Mr Rizalino Navarro, the trade and industry secretary, to believe that the Philippines has now been "promoted to the short-list of attractive investment sites" in Asia.

More significant, according to Mr Herman Montenegro, president of the Philippine Chamber of Commerce and Industry, has been the big increase in the amounts reinvested by foreign companies already operating in the country. Behind this trend are government efforts towards the liberalisation and globalisation of the economy, he said. Implementation of the Foreign Investments Act (FIA) of 1991 allowed up to 100 per cent foreign ownership in any export enterprise and in a range of activities for the domestic market.

A provision in the FIA, which limits foreign ownership in certain industries, is due to expire in October, which will further open up the economy to foreign capital. Among these areas are: life and non-life insurance, travel agencies, tourist lodging houses, and convention and conference organising.

The only areas that will remain closed are those listed in the constitution and in specific laws. They include the media, services involving licensed professionals, small-scale mining, marine-resources utilisation (except in deep-sea fishing), retail trade, rice and corn production and trade, co-operatives, and private security agencies.

In recent months, big Japanese groups have signified their intention to move into the Philippines

While the increase in the amounts coming from Asian countries has set the pace for overall growth in foreign investments in recent years, the US and Japan remain the largest foreign investor groups in the Philippines.

Investments from Japan are expected to grow significantly, given that it remains the Philippines' largest source of official development assistance. For this year, for instance, of the $2.8bn pledged by the country's traditional aid donors, Japan accounted for $1.5bn.

The department of trade and industry has noted the change in Japanese investors' perceptions of the Philippine investment climate. During the Japanese investment flows into Asia in the 1980s, the Philippines was at the bottom of the list, owing to political uncertainties in the country at the time.

In recent months, big Japanese groups have signified their intention to move into the Philippines. Among the companies that have proposed major investments are Hitachi, which is planning to put up a $300m disk-drive plant, and Matsushita, which is putting in an additional 550m pesos into its appliance manufacturing operation in the Philippines.

Investors from the US have also started to change their view of the Philippines since the cooling of relations following the 1992 departure of American military forces. In the first six months of this year, US investments registered with the BOI amounted to 2.77bn pesos, the second-largest after 7.58bn pesos by Hong Kong investors, and a sharp increase from 463m pesos in the same period last year.

Mr John Negroponte, US ambassador to Manila, has noted that US companies have been staying away from the Philippines owing to "outdated perceptions" about the political and economic climate in the country.

"There have been a lot of opportunities developed [in the Philippines] for American businesses in recent years," Mr Negroponte said. Foremost among these opportunities, he added, were in infrastructure, including energy, telecommunications, roads, ports and airports.

One US company that had recently chosen the Philippines as the site for new investment is Quaker Oats, with a 150m pesos manufacturing project. The decision to locate in the Philippines was reached after a survey of available facilities and incentives in the region.

Mr Phil Marinean, Quaker Oats president, said during a visit in July that the Philippines had been considered as "one of [the company's] lead investment areas in Asia" and that "further investments in the Philippines can be expected in the near future."

If the country continues to gain the confidence of investors in this manner, it may catch up with the rapid-growth economies of Asia sooner than expected.

Jose Galang

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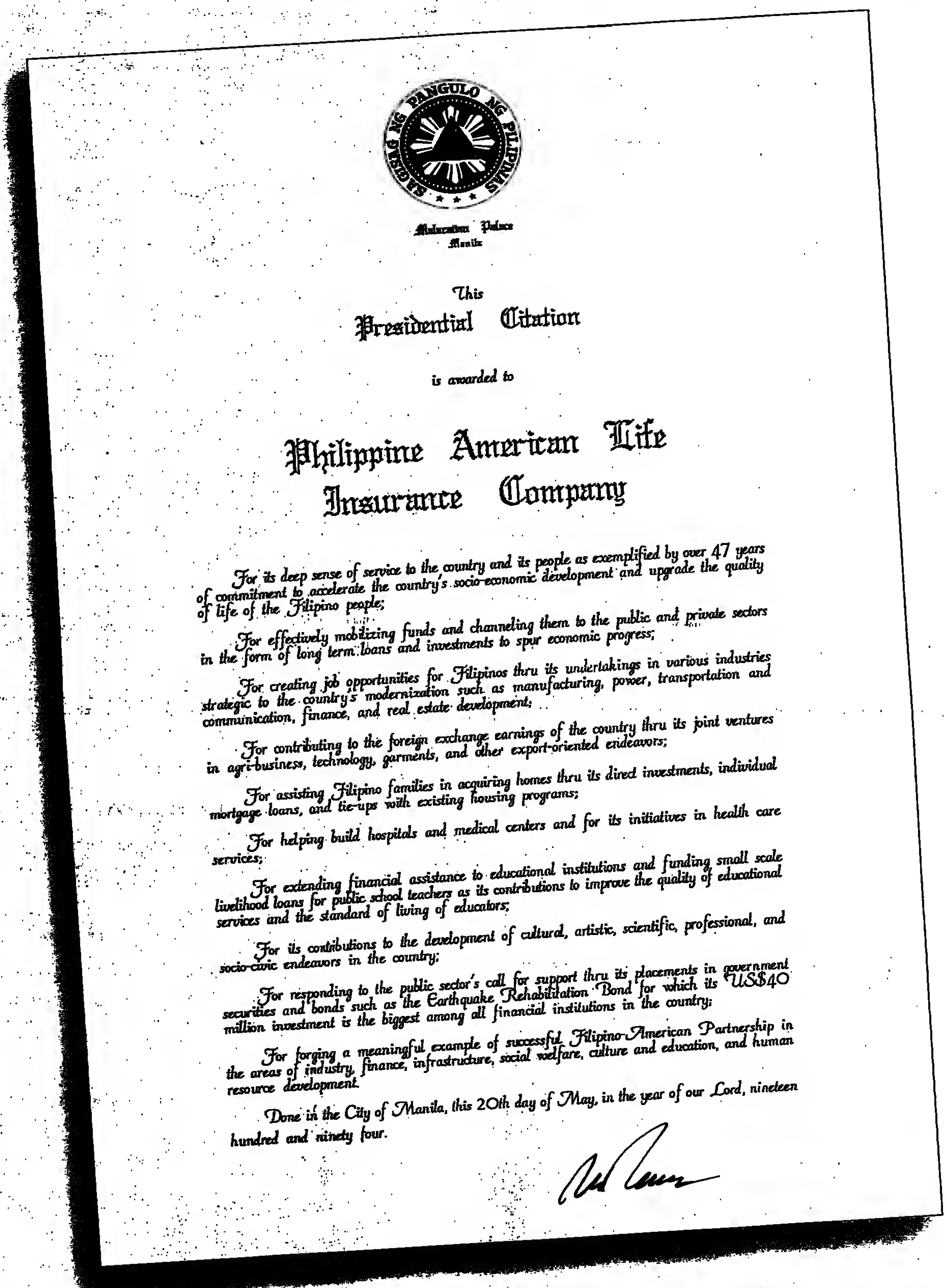
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For helping build hospitals and medical centers and for its initiatives in health care services;

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Nikki Tait on the stock exchange's latest challenge

Tested to the limit

Officials at the Philippine Stock Exchange did not try to conceal their nervousness over the impending market debut of Petron, the country's largest oil refining and marketing company.

The shares started trading last Wednesday. The 10bn pesos (US$380m) initial public offering, involving 20 per cent of the group's equity, had prompted unprecedented demand from private investors, with a record number of individuals getting share ellotments.

Going into the Petron launch, Mr Eduardo de Los Angeles, president of the PSE, warned that trading facilities would be tested to their limit. He was correct; and heavy trading in the Petron stock drew attention away from other blue-chips, leaving the market lower overall.

The price rose 136 per cent on the first day, above the offer price of 9 pesos, to 21.25; and continued up to 22 pesos on the second day of trading.

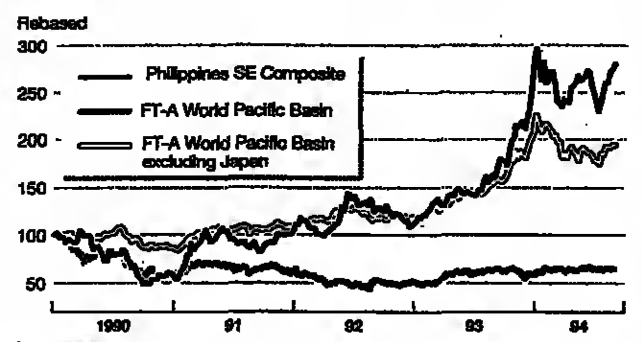
Up to that point, the PSE could handle around 20,000 trades a day. Mr de Los Angeles reckoned that around 600,000 individuals would end up with entitlements to Petron shares, and that perhaps 10 per cent would seek to trade on, or shortly after the launch. The PSE was forced to upgrade systems to handle the volume.

The Petron experience says much about the Philippines' stock market, which promises much but only partially delivers. Yet the extent to which the share market has already developed should not be underestimated. A few years ago, trading was split between two exchanges – the old-established Manila stock exchange, which began life in 1927, and the upstart Makati stock exchange, based in Manila's main business district and formed in 1965. Rivalry between the exchanges meant that turnover was low on both and, with different trading floors, there was plenty of scope for rather dubious arbitrage between the two markets.

This, coupled with the nation's political turmoil, was enough to deter foreigners from using either. Much of the trading in larger Filipino stocks – like Philippine Long-Distance Telephone (PLDT) or San Miguel, the brewery group – took place on overseas exchanges, such as New York's Nasdaq or the American Stock Exchange.

It took a heavy political pressure to unify the two exchanges. But in 1992, agreement on a single structure was reached, and in March 1994 the two separate licences for the Manila and Makati Exchanges were withdrawn.

In part, the unification problem has been technical. The two exchanges had installed different compnter systems, and there was difficulty in interfacing them, so that orders could be sent from one to another and a common price for all stocks established.



Source: Datastream

Mr de Los Angeles admits that, even now, the communication links do occasionally break down, with the result that different prices can still emerge. However, he says that PLDT has promised to install a fibre-optical cable, if possible before the end of the year, which should solve this problem.

Even so, the stock market's infrastructure difficulties will not be at an end. The clearing system, and brokers' back-office administration facilities, are woefully inadequate. They were hard-pressed to cope with the boom in business which occured in the last quarter of 1993, and events like the Petron offering will renew the pressure. Plans to install a new, computerised clearing system have already been laid, and grant funding is due to come from the US Agency for International Development. The aim is to have the new system up and running by mid-1995.

Regulation is another problem. The PSE plans to bolster its own surveillance eyetems this autumn. Advice, it says, is coming from the New York Stock Exchange. Already, in a market which tends to be driven by rumour, there are regulations which allow the PSE to halt trading in any stock which rises by more than 50 per cent in a day, or falls by 40 per cent in the same time period – powers which it has been exercising recently, to the surprise of some observers.

However, while supervision is the responsibility of the PSE, prosecution of offenders falls to Securities Exchange Commission (SEC), and this remains one the least respected of Filipino regulators.

These caveats notwithstanding, there are clear signs that the Philippine stock market is growing up. Privatisations have widened the range of stocks available. The sudden surge in share prices in late 1993, which caused the Philippines to become the region's best-performing exchange last year, also encouraged a number of local companies, often family-owned, to float in pursuit of new capital.

Although the market's retreat earlier this year caused a few prospective issuers to back off, few observers think this will be a permanent retreat. "It's probably more of a postponement," says Mr George Uy-Tioco, president of Philippine Asia Equity Securities. "Why sell at nine or 10 times earnings, when you may get 15 times if you wait ?"

Indeed, the SEC calculates that the 13 initial public offerings which were launched last year, raising 15.8bn pesos, were easily topped by the 17 issues which occured during the first six months of 1994. These, it says, raised 19.1m pesos, or 120.9 per cent of last year's amount. That, moreover, was before Petron.

Perhaps the biggest questionmark is whether international interest in Filipino stocks will persist if political or electoral pressures mean that Ramos regime is obliged to adopt a "holding pattern" on the economic front, and western countries pull out of recession, causing their own stock markets to rise.

It has been calculated that around US$2bn of international fund-management money may bave poured into the Philippines in past 18 months. But local brokers are aware that this could quickly be attracted by higher or safer returns elsewhere.

One factor which may have some bearing on the strength of overseas interest is the issue of "A" and "B" shares. In an effort to retain local control of key assets, the Philippines constitution requires that at least 60 per cent of certain companies, especially in the natural resources area, be held by Filipinos. In the past, companies satisfied this restriction by dividing their ordinary share capital into "A" shares, to be held exclusively by Filipinos, and "B" shares, open to botb Filipinos and foreigners.

The problem has been that "B" shares have tended to see more demand, relative to the tighter supply, and have traded at higher prices. Ms Rosario Lopez, chairman of the SEC, is emphatic that her organisation would like to see this distinction disappear. It is not approving any new issues which incorporate this two-class share structure, she says.

According to Ms Lopez, companies can still meet their constitutional obligations by monitoring their share registers, and barring foreign buying when the 40 per cent level is about to be breached. However, Mr de Los Angeles is not so confident. "It's very difficult to monitor," he warns, "and only possible with the right equipment".

The privatisation programme is almost complete, writes **Jose Galang**

Manila Hotel awaits a partner

The Philippine government will soon be winding down its privatisation programme. Since its start in 1987, sales of 118.5bn pesos ($4.5bn), have been generated, including nearly 35bn pesos from foreign investors.

The biggest of these was the recent sale of 60 per cent of Petron Corporation, the nation's leading oil company. Saudi Arabian Oil Company (Aramco) acquired 40 per cent for 14.7bn pesos in a pnblic bidding, while 20 per cent raised 6.8bn pesos via a public offer of stocks.

Eighty-two other government corporations and 314 varying assets have been disposed of, according to latest records. In 1986, the government slated for privatisation 130 corporations, out of 301 in its roster, along witb 419 assets (mostly "non-performing") transferred by government financial institutions – Development Bank of tha Philippines (DBP) and Philippine National Bank (PNB) – to the national government.


Jewel in the programme: Manila Hotel — Philippine Department of Tourism

According to current plans, sales of assets worth 78bn pesos over 1994-96 will complete tbe privatisation programme. Of this, 45bn pesos is targeted to be earned this year, inclnding tbe Petron sell-off.

Two other big items expected to go on the anction block this year are the state's 51 per cent holdings in National Steel Corporation, at an asking price of 7.5bn pesos, and a hloc of shares in Manila Electric Company (Meralco), the power utility, estimated to be worth 14bn pesos.

The government is relying on proceeds from its privatisation programme to belp fill its fiscal gap, while new measures are being pursued "to generate more permanent sources of tax collections." This year, implementation of the law expanding the value-added tax system was delayed by a suit filed with the Supreme Court by its opponents. Intended to raise additional collections of 8bn pesos this year, the VAT law was originally scheduled to be implemented on July 1. The Snpreme Conrt issned a favonrable ruling in late August, which paved the way for its implementation by October 1.

For 1995, government sales of smaller boldings in PNB, Meralco and Philippine Airlines (PAL) are targeted to yield 12bn pesos. PAL, the flag-carrier, was offered in a bidding in January 1992 at which a local consortium of major business groups won a 67 per cent interest for some 9.6bn pesos.

> The government is relying on proceeds from privatisation to help fill its fiscal gap, while new tax measures are also being pursued

Another big-ticket item, National Power Corporation (Napocor), which currently owns the bulk of electricity-generating capacity in the country, is being planned also for privatisation, although various details still need to be sorted ont.

Principally, scbemes are being studied to break up the giant corporation into smaller units that will divide its generation and transmission operations. The smaller units should also be within reach of the prospective bidders.

Last year, Napocor reported total revennes of 41.79bn pesos, making it the second-largest Philippine corporation in terms of sales, and total assets of 245bn pesos.

A jewel in the privatisation programme, the Manila Hotel, is also being offered for sale by the state-employees pension fund which owns it, the Government Service Insurance System (GSIS). A public bidding next month will offer 20-30 per cent of the 510-room hotel for a minimum price of 280m pesos. Thereafter, another 20 per cent will be offered to GSIS members and hotel employees, and 5-15 per cent will be made available in a stock public offering.

The winner in the bidding will become Manila Hotel's "strategic partner", and be expected to provide marketing and management expertise and financial support for the institution, which has been experiencing declining revennes. Company officials blamed this on the proliferation of new hotels in Manila, and to its lack of a viable international marketing network.

This was the same strategy followed by Philippine National Oil Company, the state energy gronp, when it launched the privatisation of Petron. After getting a strategic partner through a public bidding, the company went on to make a public offering of shares.

Petron's new partner, Saudi Aramco, bas promised to assist in tbe oil company's expansion plans, and to develop it as an exporter of refined petroleum products in the region. Saudi Aramco is tbe world's largest prodncer and exporter of crude oil.

Petron, as a government corporation, bas often been slowed down by cumbersome government procedures on purchases, hirings, and even the opening of new retail outlets. As a majority private company, it may now be able to pursue initiatives without having to go through public hiddings or long government andits.

However, Petron's privatisation is also in preparation for the eventual deregulation of the local oil industry. Domestic prices of petroleum prodncts are still fixed by the government, although it has set up a fund on which the oil companies may draw when prevailing price ceilings result in losses for them.

The government has committed itself to the privatisation programme as part of its key strnctnral reforms. According to officials, the programme not only results in additional revennes for the state, it also enhances the role of the private sector as the engine of economic growth.

Jose Galang describes a model remedy for infrastructural ills

Contractors to the rescue

Huge resources will be needed to overcome the infrastructural inadequacies that could threaten the Philippines' economic growth. The country has a poor record in construction and maintenance, largely because insufficient money was available following the economic slowdown in the 1980s.

Even foreign loans, made available from traditional official creditors, could not be mobilised, for lack of counterpart local funds. Although there have been some improvements recently, things are far from ideal.

The supply of electricity, after the frenetic activity to put up new generating plants during the past two years, now slightly exceeds demand. The new capacity, however, consists mainly of oil-fuelled power stations that incur high costs. There is a strong need to build up new baseload capacity to lower these costs and make the investment climate more attractive.

Telecommunications, although improving fast, still need to be upgraded. Telephone density in the country is still 1.4 units per 100 inhabitants, among the lowest in the region.

Main roads in metropolitan Manila are often clogged, stretching travel times for commuters and commercial deliveries. For example, the 15-kilometre drive to Makati, the business and financial centre, from the outskirts of the metropolis takes between 60 and 90 minutes.

These problems are beyond the financial capability, or even the competence, of the government. However, the solution could come from a scheme, introduced three years ago, that involved the participation of the private sector in the construction of power plants.

During the frequent disruptions to the electricity supply in 1992-93 (when working capacity could meet only up to 60 per cent of demand, so that rationing was necessary), the government invited private-sector groups to put up within short periods new power stations under build-operate-transfer (BOT) arrangements.

Under this concept, private companies are contracted to construct the facilities at their own expense; operate them after completion for an agreed period, giving them an opportunity to recover their investment and also make a profit; and then hand ownership over to the government at the end of the period.

Through BOT, 14 fast-track power plants with a combined capacity of nearly 1,580 megawatts have so far been established – enough to cope with current demand. Other projects under way, including base-load facilities, bring total capacities contracted to private groups to some 6,000MW, involving costs of at least $5bn.

The success of the programme has encouraged the government to widen its approach. Under the Philippine Infrastructure Privatisation Programme (Pipp), the BOT system now applies to other areas: highways, ports, airports, canals, dams, water supply, irrigation, telecommunications, transport, reclamation, industrial estates or townships, government buildings, tourism, slaughterhouses, warehouses, waste management, information technology networks and database infrastructure, education and health facilities, sewerage, drainage and dredging.

The Pipp, believed to be the first programme of its kind in the world, has made the Philippines a model for BOT undertakings in Asia. It now offers various financial incentives for projects that entail costs of over 1bn pesos ($38m), with reasonable rates of return on investments.

Among the biggest power projects is the 770MW Pagbilao plant, in Quezon province, south-east of Manila. Hopewell Holdings, of Hong Kong, is undertaking the project through a BOT arrangement with National Power Corporation. It is likely to cost $973m, of which $235m will come from equity contributions. Apart from Hopewell's equity of $205m, contributions were also made by the International Finance Corporation, the investment arm of the World Bank; the Commonwealth Development Corporation, the UK's overseas development finance institution; and Asian Development Bank.

To tackle the telecommunications gap, meanwhile, the Philippine government has introduced what it believes to be another world first. It divided the country into 11 service areas, and assigned these to telecommunications operators that were given specific performance targets. The programme aims to increase the telephone density to about 6.7 units per 100 inhabitants by the end of the decade.

Philippine Long Distance Telephone (PLDT) has been the dominant telecommunications company in the country, accounting for 93 per cent of all telephones. However, it also has a huge backlog of applications, and receives many complaints of poor service and line breakdowns.

The opening up of the sector started with the government's grant last year of licences for the operation of cellular mobile telephone systems, with which PLDT was ordered to interconnect. It also introduced the service-areas concept, to hasten the installation of new land lines.

To make the service areas attractive, each was allotted a potentially profitable core in an urban centre – but also certain depressed areas, untouched by economic progress because of poor communications. The programme requires that 300,000 land lines be built in each area within the next five years. The operators were given two years to demonstrate progress, or face cancellation of their grants.

The huge costs of these projects have encouraged contractors to link up with foreign companies, either as investors or suppliers of equipment. Consequently most of the big names in world telecommunications are involved in the Philippine programme.

Meanwhile, PLDT is trying to eliminate its backlog. By 1996, it aims to have installed 1m new lines in its franchise areas.

Exhaust fumes are a fact of life in Manila Patrick Magalshi Lucero

Need progress damage the environment? asks Nikki Tait

Foresters come under fire

The notices stencilled in green paint on the lamp-posts in one Manila suburb could belong to any western city. "Keep Greenhills clean and green," they read.

The difference is that the adjacent road consists of eight lanes of cars, buses, jeepneys (elongated Jeeps converted into mini-buses) and juggernauts – all caught in total gridlock and belching exhaust fumes into the sultry heat.

Such situations are as much the norm as the exception in Manila, where it can take an hour to move between neighbouring suburbs. The sight of drivers and pedestrians wearing nose-and-mouth masks, or simply wrapping their faces with a scarf, is common.

Air pollution, and associated respiratory problems, are just one of the country's intractable environmental problems. Like many developing countries, the Philippines is torn between the desire to push ahead industrial and commercial expansion, and the demands of its population for the most basic of acceptable living conditions. In the Philippines' case, these choices are made no easier by the history of public corruption; rapid population growth, which gets no discouragement from the dominant Catholic church; and past environmental neglect.

The fragility of the Philippines' core infrastructure adds a further twist. Many Filipinos cheered when, on environmental and safety grounds, the previous Corazon Aquino regime decided to mothball a nearly-completed nuclear power station, built by Westinghouse Electric at a cost of over $2bn on the Bataan penisula.

The decision, in 1986, was taken shortly after the Chernobyl nuclear disaster, and partly justified in this context. "What happened in the Ukraine certainly did not help the cause of those who wanted to operate [the plant]... We want our own people to be spared this tragedy," commented one presidential aide.

Nevertheless, a few years later, this decision was being cited as one of the key reasons for the power crisis which suffused the country. Today, debate continues to rage over a number of proposed power-plant sites.

On the urban front, Manila has some of the worst slums in Asia; and one environmental group has estimated that the sea-level in the city's bay area has risen by about a metre over the past 40 years, due to the dumping of garbage and the silting of the Pasig river.

But the needs are no less acute in rural areas, where the incomes of about 70 per cent of families falls below the (low) poverty line.

Much of the international spotlight has focused on mismanagement of the Philippines' forestry resource. This is a complex tale of excessive logging by both domestic and foreign interests, with efforts at curtailment undermined by political corruption. The loggers' practices, in turn, have led to river siltation and landslides, and thus compounded the impact of natural disasters.

Indirectly, environmentalists claim, the mismanagement of the logging industry has contributed to thousands of human deaths. One activist puts the cost of siltation for over-logging at 4 per cent of gross domestic product, over a 20-year period. Efforts at long-term remedial action have had patchy results.

But even the logging problem cannot really be isolated. Population pressure has been encouraging migration out of the lowlands and up the hills, especially in Mindanao. However, many of these migrants tend to pursue unsustainable cultivation techniques, with the result that their "slash and burn" approach compounds the loggers' earlier damage.

In this generally gloomy picture, there are some grounds for optimism. For a start, the Philippines does have a fairly active environmental movement, although many participants acknowledge that this is still splintered, and that ideological differences between the various non-governmental organisations (NGOs) tend to prevent cohesive action.

Nevertheless, its voice is heard, and there is some pressure on government authorities to take note of its demands. The Philippines, for example, was a signatory to the Rio Declaration, which came out of the Earth Summit in Rio de Janeiro, promoting sustainable development. A Philippines Council for Sustainable Development was set up, its members a mixture of government agencies – including the Department of Environment and Natural Resoures – and representatives of the principal NGOs operating in the environmental field.

"The approach is not so confrontational now... It's better that we are talking to them," comments Rene Encarnacion, at the Haribon Foundation for the conservation of natural resources.

But no one pretends that this is more than a start. "Frankly, everyone looks at the environment as an add-on job," says Maxime Kalaw, president of the Philippines Green Forum. "It's a question of re-addressing the issues of economic development – we need to look at a new economic order."

In the meantime, as if internal problems were not enough, it is debatable whether the west is helping. Greenpeace, the international environmental organisation, made its first foray into Filipino environmental politics earlier this year, when it alleged that hazardous waste was flowing from industrialised countries into the Asian nation – despite a law which bans waste imports. Computer waste from Australia and waste plastics, from the likes of Germany and the US, were among the breaches, it said.

Another controversy has been triggered by the withdrawal of the US military from Subic Naval Base. Local environmentalists argue that toxic and hazardous waste was left behind, or inadequately stored. The US claims that standards were enforced, and that it is co-operating fully in the provision of information.

Industrial estates are reflecting economic revival

More anchor at Subic

The economic recovery of the past two years has stirred activity in various parts of the country, particularly in the industrial estates being put up to capture investment flows.

The most notable is the Subic Special Economic and Freeport Zone, which is rising from the former US naval base along Subic Bay on the western fringe of the main island of Luzon.

Since its conversion into an industrial estate in November 1992, the Subic zone has signed up 73 companies to set up a range of industrial and commercial operations within the 6,000-hectare facility. Of these, 44 have actually started operations.

The Subic estate sits between a deep natural harbour opening up to the South China Sea and a mountain range. These features, industrial planners say, make the facility an ideal anchorage.

Having been a jump-off point for American military operations in the region, the zone has an airport, shipping berths and a well-maintained road network, along with fully-operating utilities (power station, telecommunications, water and sewerage systems) and structures that can quickly be converted into warehouses, residential buildings and offices.

All these make the area ideal for investors in a hurry. Its location also makes it suitable for ventures aiming at the Asian market.

Subic's twin military base, Clark Field, located to its east in the central Luzon province of Pampanga, has also seen increased interest in recent months. Thirty-five companies have formalised deals with the Clark Development Corporation to set up shop in the zone.

Clark is initially developing a core area of 4,440ha, of which 1,620ha have been roped off to become an aviation centre and another 1,020ha for industry. The project will be expanded by another 23,600ha to accommodate light and medium industrial and agro-industrial ventures.

The aviation complex will include an international airport, to be developed from the facility left behind the US air force that withdrew from the area just before the June 1991 eruption of nearby Mount Pinatubo.

Like Subic, the Clark industrial estate offers locaters immediate infrastructure facilities, including a power plant, telecommunications and a water system.

Incentives await locaters in Subic and Clark. There is exemption from taxes and duties on all imports of capital goods, machinery, raw materials and finished goods; exemption from local and national taxes except for a final 5 per cent corporate tax on gross income; and tax holidays of four to six years.

A highway to link the two industrial zones with metropolitan Manila is near completion, and will reduce travel time within the area.

Closer to metropolitan

> Incentives await those who locate in Subic and Clark, including concessions on taxes and duties

Manila are the privately-run industrial parks that have sprouted in the Calabarzon area, which groups the five provinces surrounding the national capital – Cavite, Laguna, Batangas, Rizal and Quezon. In 1990, the government designated regional industrial centres (RICs) in each of the 12 regional groupings outside metropolitan Manila, leading to the Calabarzon concept.

The Calabarzon project aims to create a business corridor south and east of the national capital, to capture the city's overspill population without causing additional poverty and other social problems.

The corridor has a combined land area of nearly 16,230 square kilometres, or 5.4 per cent of the whole Philippine land area, and a population of 6.35m. It is already accommodates a range of manufacturing operations set up by big US, Japanese, South Korean and European groups.

The area also has an industrial base composed of oil refineries; manufacturing operations in industrial gases, non-alcoholic beverages, paper products, flour and feeds, metal products and other consumer goods; shipbuilding; food processing; and power generation.

Among the first industrial estates that are now offered to investors are: Dasmarinas Industrial Estate, Gateway Business Park, GMA Industrial Estate, Cavite Industrial City, Laguna International Industrial Park, Laguna Technopark, Light Industry and Science Park of the Philippines, along with the government-run Cavite Export Processing Zone.

Farther out of the capital, the government has identified the following growth centres:

■ The Cagayan-Iligan corridor, in northern Mindanao, which is being developed as a heavy industrial centre, and a major agro-industrial and trade centre in view of its access to hydro-power sources and industrial base.

■ The north-west Luzon quadrangle, said to be a potential financial centre and tourist haven, given its proximity to Taiwan, Hong Kong, Korea and Japan.

■ The Cotabato-Davao-Zamboanga crescent, which is being promoted as an agribusiness centre to become a major exporter of fresh and processed food and other products.

■ The Panay-Negros pole, in the central Philippines, now being developed for light and medium manufacturing activities specialising in furniture, jewellery, toys, handicrafts, kitchen and hardware.

■ The Leyte-Samar zone, also in the central Philippines, which is being considered as another heavy industry centre, because of its access to geothermal and hydro-power sources.

■ The west-central Luzon zone and baselands, which may be tapped to specialise in ship and aircraft manufacturing and repair, warehousing and transshipment, defence industries, and other light-to-medium industries.

Jose Galang

Nikki Tait describes the tourism industry's struggle to overcome a number of obstacles

The business visitor fares best

Tourism in the Philippines might be described as optimism in the face of adversity.

Superficially, there is every reason for visitors to be deterred. Until the late-1980s, the political climate was unstable. Continuing "internal security" problems – from the activities of Muslim separatists in the southern island of Mindanao, to random street crime – attract enough international attention to give the Philippines a serious image problem. Countries like the UK or Australia still provide consular advice notices to travellers, despite requests from Filipino government officials to have these warnings lifted.

The country also encounters more than its fair share of natural disasters. Parts of the northern Luzon region, for example, were badly affected by the 1991 earthquake, in which over 2,000 people died.

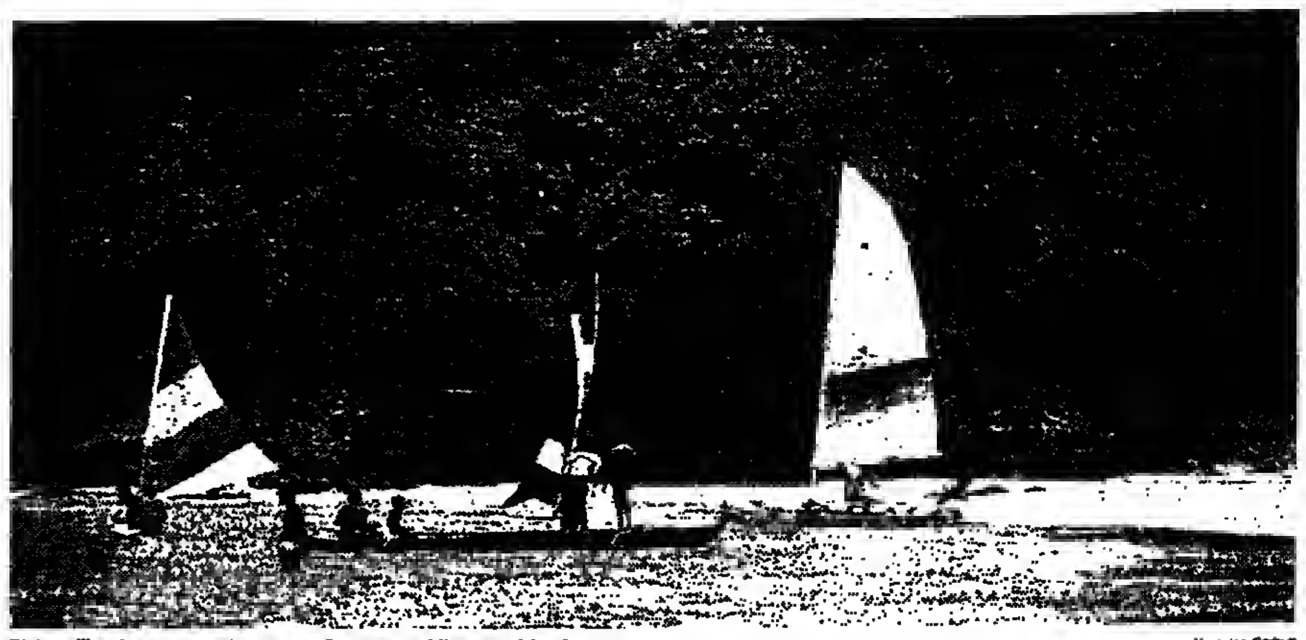
Even in Manila's grander hotels, visitors will find that the standard fire notices carry a separate, equally prominent, warning about earthquakes. "If unable to go down the stairs, go up to the roof," reads one soothing, if unhelpful, message.

The country averages over a dozen typhoons in a good year, some of which have caused major damage in potential tourist centres in the Visayas.

If these factors fail to deter the more intrepid traveller, there is the paucity of infrastructure, which is more annoying that exhilarating. In the early-1990s, power-cuts were a feature of everyday life. Telephone communications can still be erratic, and a trip around Metro Manila, the country's major urban centre, means one long traffic-jam.

Yet, despite all of these obstacles, the Philippines is plainly aware of the benefits which a flourishing tourist trade can bring, and is keen to play up its limited gains. In 1993, 1.4m visitors arrived in the country, a 19 per cent improvement on the previous year. The percentage gain in 1992 was of the same order.

According to Mr Vicente Carlos, secretary at the department of tourism (DoT), the country now seeks to attract around 1.65m visitors in 1994, and 2m in 1995. He takes comfort from the fact that the most recent monthly figures – for May – showed that around 100,000 people arrived, a record number for what is traditionally a lean month.



Plain sailing for some: watersport at Dapitan, on Mindanao island — Veronica Garbutt

But while these statistics may provide grounds for encouragement, they should also be kept in perspective. For a start, the Philippines is moving off an exceptionally low base. Other centres in the Asia-Pacific region, for example, notch up many times these numbers. Hong Kong, tiny in comparison, attracts around 10m visitors a year.

Moreover, it is not entirely clear how many of the 1.4m arrivals in 1993 were "expatriate" Filipinos returning to see their families. Just under one-fifth of visitors emanate from the US. According to the DoT in Manila, anyone holding a US "green card" counts as an "overseas worker", and only Filipinos who have taken up US citizenship should fall into the North American visitor category. But no one believes that these niceties are scrupulously observed.

Nevertheless, as Mr Vicente stresses, 1993's 1.4m figure does better anything the Philippines has achieved in the past. Moreover, he claims that departmental statistics show that visitors average a fairly lengthy nine-day stay, and spend quite highly during that time. This, he says, makes tourism the second largest earner of foreign exchange for the Philippines – after remittances from overseas workers. The industry accounts for about 5 per cent of gross domestic product.

Visitor arrivals by country of residence

Country	1993	% of total	1992	% of total
Asean	68,103	4.96	55,508	4.81
East Asia	558,806	40.73	464,108	40.25
South Asia (India	8,962	0.65	7,876	0.68
North America	305,696	22.28	250,424	21.72
Australia/NZ	65,783	4.79	55,440	4.81
Europe	162,894	11.87	136,669	11.85
Middle East	12,862	0.94	14,275	1.24
Others	63,315	4.61	58,888	5.11
O'seas Filipinos	125,676	9.16	109,764	9.52
TOTAL	*1,372,097*	-	*1,152,852*	-

Clearly, the relatively stable political climate has been one major factor in improving the sector's fortunes. Basic infrastructure improvements, like the more secure electricity supply, are another.

A third, and less self-evident, reason for the upturn may be the fact that tourists can now skirt Manila, and take direct international flights into provincial cities like Cebu. Apart from a sleazy sex industry and an intriguing golf-course built over the moat of the old walled town, Manila has little to offer the overseas visitor who is there for reasons other than business. Its international terminal, while functional, is discouragingly dilapidated; the domestic terminal is accepted as a national disgrace.

Business travellers are better served: the Makati district, the city's main financial and commercial centre, has recently added a number of new luxury hotels, while the old-established Peninsular is undergoing renovation.

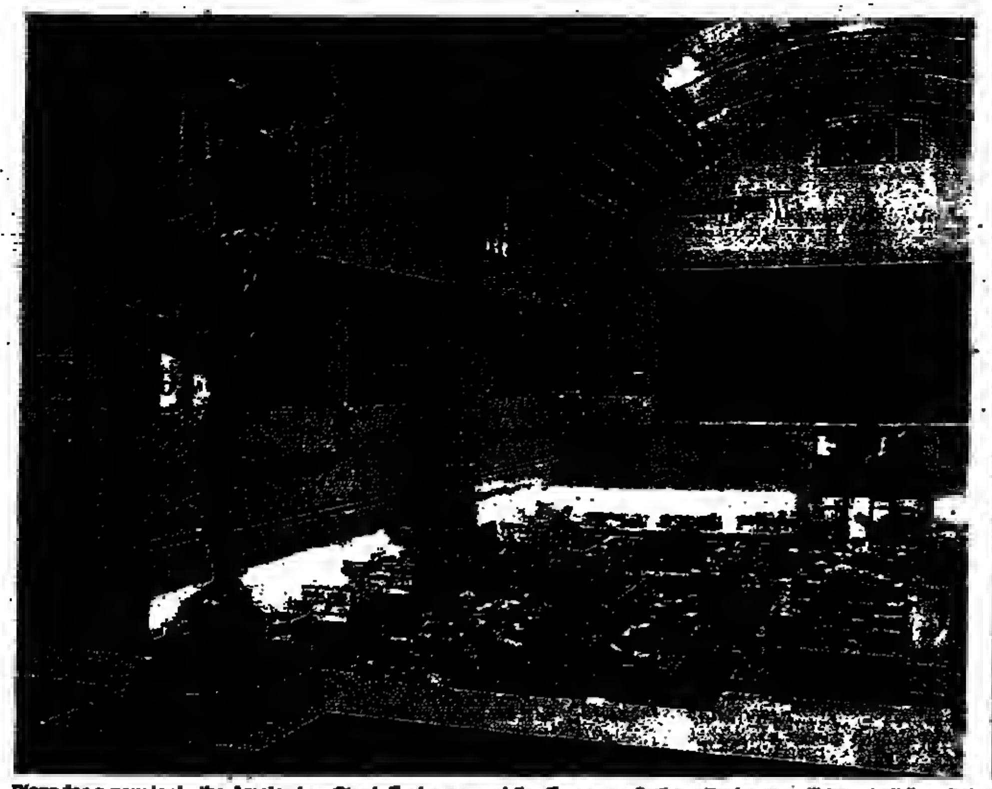
Asked what the Philippines can capitalise on as it pursues the tourism road, Mr Vicente points to the country's beaches, the opportunities for activities like scuba-diving, the fact that English is widely-spoken, and its people's well-deserved reputation for friendliness and conviviality. The primary aim, he says, is to attract some the intra-Asia tourist trade – notably from Taiwan and Japan – with European travellers potential extra. Already visitors from East Asia (as opposed to the Asean countries) account for about 40 per cent of total visitors.

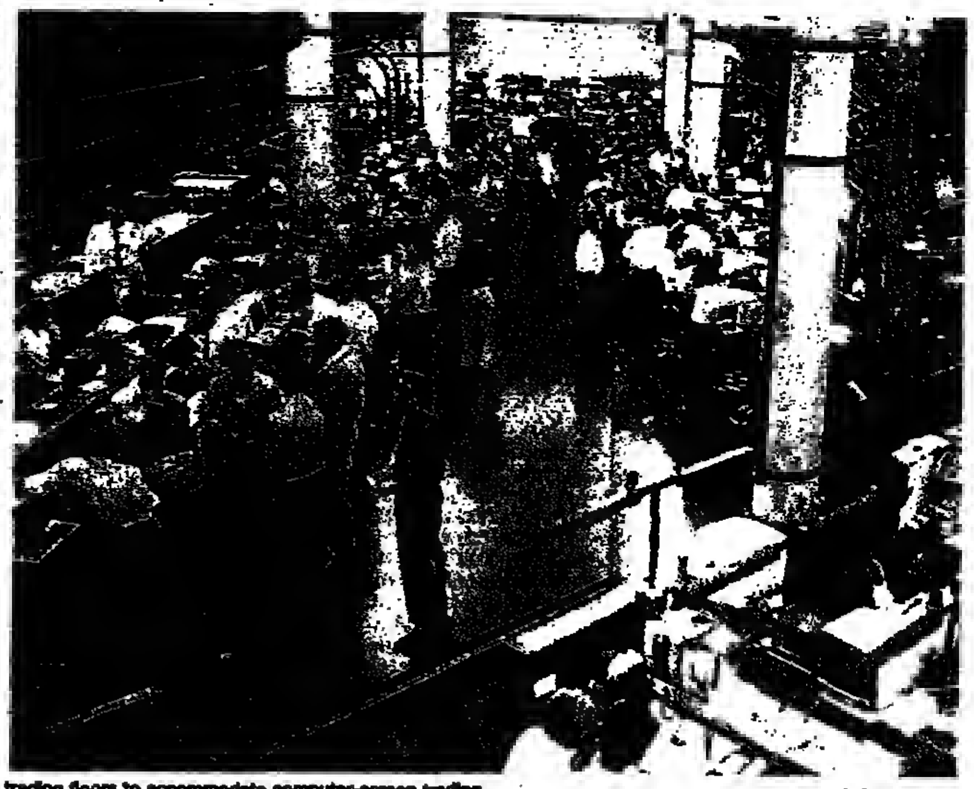
There is some evidence that the commercial sector is heeding the message, and putting its money behind the official policy. A number of big Asian property group or conglomerates – including the Philippines' Ayala Land Corporation and Malaysia's Kuok group – have either been developing resort sites in the area or have plans to do so. The Manila Hotel, an impressive complex overlooking the bay and used by General Eisenhower as his headquarters during the war, may also go up for privatisation, and interest is reported already to be pronounced.

But, despite all the fine words, the tourist authorities have a thin promotional budget, and know they are competing against heavy-spending neighbours. To date, the most visable product of their efforts has been the hosting of the Miss Universe contest earlier this year. A promotional show in Paris is promised for the autumn, to coincide with President Ramos' visit to the French capital.

DUTCH FINANCE AND INVESTMENT

Monday September 12 1994





Plans for a new look: the Amsterdam Stock Exchange and the European Options Exchange will be rebuilding their trading floors to accommodate computer-screen trading — Lydia van der Meer

Action plan lifts Amsterdam's status

The centrepiece of the Dutch capital's programme of financial reforms is an overhaul of the stock exchange's trading system this month. Ronald van de Krol, author of this survey, discusses achievements

Six years after the launch of a wide-ranging programme to boost Amsterdam's status as a financial centre, the Dutch capital has decided to wind up its campaign of reforms, initiatives and promotional activities.

The move, far from signifying defeat, is clear confirmation that Amsterdam has achieved its aim of bolstering its standing in the face of concerted competition from larger international financial centres, particularly London.

The campaign, which began as a joint initiative of prominent bankers in 1988, was not intended that Amsterdam should rival the stature of first-tier European centres such as London or Frankfurt. Instead, the goal was to confirm Amsterdam's place in the second tier and to prevent its slide into third-tier status.

The centrepiece of the campaign – a radical overhaul of the trading system at the Amsterdam Stock Exchange, with a separation of the wholesale and retail segments of the market – is due to take place on September 30.

Earlier milestones in the campaign, which was formally ended in May, included the abolition of exchange dnty, reforms of the government bond market, and the introduction of a fixed seven-day settlement system.

Another successful element in the promotion of Amsterdam was persuading foreign banks, particularly in the Far East, to choose the Netherlands as a base for expanding into the European market place.

There have also been disappointments along the way. Amsterdam's hopes of attracting a prestigious multilateral financial institution, such as the European Bank for Reconstruction and Development or the nascent European Central Bank, were both dashed.

Another of the campaign's original 23 aims – the development of Amsterdam as a centre for the trading of ECU-denominated financial instruments – also failed to materialise. Early on, it became clear that neither Dutch companies nor the Dutch state would be issuing enough ECU paper in the short term to create the right conditions for a flourishing market segment.

"A lot has happened here," says Jan Steinhauser, a former deputy-director of the Dutch central bank who ran the "Amsterdam Financial Centre" campaign. "The action plan, with all its limitations, has achieved good things for the Dutch financial community. Without it, the situation would have been deplorable."

However, Mr Steinhauser and other members of the financial community are aware that the reforms and changes are not, in themselves, an ironclad guarantee that Amsterdam will continue to compete effectively.

To achieve that, the big institutions in Amsterdam – essentially the large Dutch banks – must seize the new freedom for equity market-making and make it happen.

Prices must be extremely competitive, and market liquidity must be more than ample, if buyers and sellers of Dutch shares and bonds are to be persuaded to do their business in Amsterdam rather than London.

Almost exactly a year ago, ABN Amro, the Netherlands's largest bank and biggest single participant on domestic capital markets, caused a brief flutter of anxiety when it announced plans to move the co-ordination of world-wide equity sales, trading and research to London.

Louis de Bièvre, member of the management board and head of investment banking and global clients, said the bank had since managed to allay fears that it was withdrawing support from the Amsterdam market. "It is not at all our intention to close down in the Netherlands and to operate solely from London. We are a Dutch bank, and we will do our best to keep the Amsterdam bourse strong for the shares that are traded here and to keep the market competitive."

Like other Dutch banks gearing up for the September 30 reforms, ABN Amro believes the changes can help win back part of the equity business that now takes place in London, mirroring Amsterdam's earlier success in recapturing the initiative in government bond trading. "I think that you will see the same effect (in shares as in bonds)," Mr de Bièvre said.

However, there are obvious limits to Amsterdam's ambitions. It may be able to ward off London's encroachments, but it cannot supplant the UK capital's role as the place where international financial flows come together in Europe. For ABN Amro and other European banks, but perhaps for other Dutch financial institutions in future, London is an obvions place from which to co-ordinate a worldwide equity business. "If we want to compete with our peer group, we, too, must be in London," he said.

Although the reforms that are about to take place at the stock exchange are impressive enough, they are at least several years overdue. In fact, it had been obvious since the 1980s that the bourse, which claims to be the world's oldest with a history stretching back to the 17th century, was being hamstrung by the limited resources of its stock jobbers, or "hoekmen".

Though required by bourse rules to be involved in virtually every transaction that took place between two parties, the hoekmen were simply too poorly-capitalised and too small to act as middle men in the sale and purchase of shares and bonds.

The result was excessive costs and dwindling liquidity, two factors that helped drive trading in Dutch bonds and shares to London.

Significantly, alarm bells began to ring in Amsterdam only after an "outsider", the McKinsey consultancy firm, prepared a report showing the extent to which trading had seeped across the English Channel.

This, in turn, helped concentrate the minds of all participants in Amsterdam, leading to the painful but necessary decision to sacrifice a large number of the traditional "hoekman" and to convert the remaining firms into "market specialists".

Change is always difficult in a "co-operative" of member firms such as the Amsterdam Stock Exchange.

With stock brokers, banks and old-styled jobbers possessing equal power within the stock exchange, it is not surprising, perhaps, that consensus on the need to change was so long in coming.

To remain well-prepared for the future, the bourse and its members will also need to apply their minds to building new kinds of businesses to generate income for the financial community as a whole. They will also need to find new investors, especially among the Dutch public, who so far have not been big buyers of shares.

Finally, Amsterdam still needs to increase the number of listed companies from the varied ranks of the Netherlands's family-owned or privately-held corporations.

The June flotation of Koninklijke PTT Nederland, the Dutch telecommunications and postal company, was the largest initial public offering in the history of the Amsterdam bourse.

The government's first tranche raised nearly Fl 6.9bn ($3.9bn) and attracted the attention of 188,500 private investors.

Nevertheless, the flow of new companies to the bourse has slowed to a trickle in recent years, and so far the KPN flotation has not produced the hoped-for bandwagon effect. Indeed, the recent flotation of Ballast Nedam, the Dutch construction group previously owned by British Aerospace, simply marked the retnrn of a company that had once had a listing.

New blood is essential to Amsterdam. It will be getting an injection of sorts in January when foreign banks and brokers, mainly of Anglo-Saxon origin, begin to trade remotely on Amsterdam's new system from their offices on the other side of the Channel.

But if it is to lead rather than follow, Amsterdam will have to rely in the end on home-grown energy and talent.

DUTCH FINANCE AND INVESTMENT 2

Wim Kok has inherited an economy that seems poised for growth

Priority is jobs, jobs, jobs

Bill Clinton's celebrated reminder that "It's the economy, stupid" has little relevance to the Netherlands's new prime minister Wim Kok, who has inherited an economy that seems poised for a return to healthy economic growth. But if he had to choose a slogan to capture his priorities, Mr Kok might well have selected "It's jobs, jobs, jobs".

The latest Dutch coalition government, inaugurated on August 29, has started its four-year term with good prospects of economic buoyancy but also with continuing signs that the country's long-standing unemployment problem is not going to go away easily.

The Organisation for Economic Co-operation and Development, in a report on the Dutch economy in June, argued that the Netherlands's unemployment problem is a structural one that cannot be overcome by economic growth alone. Its recipe for success is reducing rigidities in the labour market, decentralising wage-setting and, crucially, making the dole less attractive by widening the present narrow gap between welfare benefits and low-level wages.

"In a nutshell, the goal should be to reduce labour costs, redress the incentive balance between working and not working, and improve labour force skills and competencies, in all cases especially at the lower end of the market," it wrote.

Wim Kok: job creation is the government's main task *Lydie van der Meer*

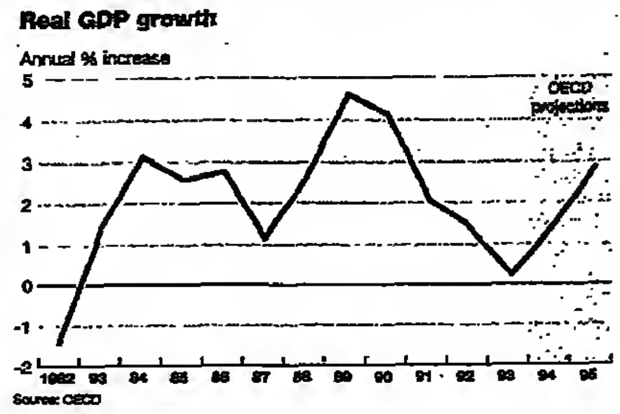
Mr Kok's government has clearly targeted job creation as its main task, and it is planning to pursue this goal through a mixture of fiscal measures and specific programmes aimed at the long-term unemployed. It remains to be seen, however, whether Mr Kok will really manage to address what the OECD describes as the Achilles heel of the Dutch economy.

"The biggest worry confronting the Netherlands is the shortage of jobs," Mr Kok wrote in his government programme, which has received the backing of his own Labour party, the right-wing Liberals and the left-of-centre D66 party. "Too many people remain, counted or uncounted, in the waiting room of the labour market; are unfit for work; or find themselves outside the labour process in middle age."

On its own, the quicker pace of economic growth is expected to help create 230,000 jobs during the cabinet's lifetime. But this will not be enough to deal with the 300,000 people projected to enter the job market in this period.

For this reason, the new three-party coalition government will be actively pursuing programmes to stimulate jobs, particularly at the very lower end of the labour market. This will be done, in part, by reducing taxes and social premiums, thereby making employees less expensive for employers. "Gross labour costs must come down, especially for lower-paid labour," Mr Kok said.

At the same time, some business sectors may be exempted from the minimum wage laws to help generate more entry-level jobs for job seekers. In another move, some 40,000 jobs for people on the dole will be created by the state in public duties such as home-help for the elderly, child care, and public safety and security.



What Mr Kok will emphatically not do is lower unemployment benefits to encourage the unemployed to seek or accept work. This option – frequently proposed by those like the OECD who argue that the country's generous welfare provisions make it unattractive for dole recipients to take low-paid jobs – would be unacceptable to the rank and file of the Labour party. It is in this area of labour policy that the biggest doubts arise about the new government's ability to stimulate people to forego the security of state benefits and seek work.

According to the Netherlands's own narrow definition of unemployment, only about 7 per cent of the potential labour force is out of work. But the OECD's broader definition – which takes in all people of working age receiving disability and other types of social security benefits, as well as people enrolled in special job creation programmes – puts unemployment at just above 25 per cent.

The unemployment problem notwithstanding, the Netherlands is estimated to be on track for economic growth of 2.0 per cent to 2.25 per cent in 1995, up from a projected 1.5 per cent this year and just 0.3 per cent in 1993.

The buoyant growth predicted for next year confirms that the Dutch economy is out of danger of slipping into the same recession that plagued its big European trading partners, especially Germany, in the early 1990s.

Thanks to the Dutch guilder's close links to the German mark, inflation is expected to be relatively under control st 2.5 per cent this year, falling to 2.25 per cent next year.

"The economic prospects facing the new cabinet are good," MeesPierson, the Dutch investment bank said in a report. "The economy is just beginning to revive, inflation is on the way down, and employers' organisations and the trade unions have signed a national deal paving the way for wage restraint."

Though the economy may look rosy, the new government, and especially the new finance minister, Gerrit Zalm, a member of the pro-market Liberals, face serious difficulties in the area of public finances.

After several years of steady, albeit small, declines, in the financing deficit, the shortfall in 1995 and 1996 is expected to be static at 3.3 per cent of gross domestic product, before falling to 3.1 per cent in 1997 and 2.9 per cent in 1998.

At this 1998 level, the Dutch financing deficit will fall just within the 3 per cent norm established for European monetary union at the end of the 1990s. But the absolute level of public debt will remain high, causing long-term worries for the government.

Given the still precarious nature of the national debt, the new government will obviously be hoping that the predicted acceleration of economic growth will not only materialise, but that it will be even higher than projected. If so, tax revenues will also come in above budget, creating room for a renewed assault on public debt.

Number of options traded on the EOE

	1993	1992
Stock options	40	42
Index options	4	5
Bond options	8	5
Future options (OOF)	1	1
Currency options	2	2
Precious Metal options	1	1
Special products (warrants)	7	1
Total	63	57

Source: EOE

Turnover of EOE options contracts

	1993	%	1992	%
Stock options	8,035,741	64.0	8,808,646	63.8
Bond options	436,199	3.5	270,442	2.5
Dutch Index options	3,106,437	24.7	2,945,704	27.6
Eurotop Index options	2,647	0.0	10,554	0.1
MMI/XMI Leaps Index options	6,809	0.1	21,569	0.2
Currency options	672,632	5.4	543,312	5.1
Precious metal options	284,040	2.3	72,815	0.7
All options	12,544,505	100.0	10,673,042	100.0

Source: EOE

The European Options Exchange plans to introduce a unique new trading method

The EOE will be humming in 1996

Amsterdam's European Options Exchange (EOE) is planning to become the first options exchange in the world to combine the traditional "open outcry" of human voices with the subdued hum of computer-screen trading.

The unique new trading, due to be launched in early to mid-1996, marks a new phase in the EOE's 16-year -history.

When it was established in 1978 as the first options exchange outside the US, the EOE adopted the open outcry system that prevailed on the Chicago Board of Trade (CBOT) exchange in the US. The electronic exchanges of the late 1980s had not yet been born, and the "pit" seemed the logical place to bring together supply and demand.

In keeping with the widespread use of electronic trading, the EOE wants to move with the times yet also retain its trading floor.

"What we're effectively going to be doing is building an electronic exchange alongside our existing exchange, and then coupling the two together," Joost Kuiper, the EOE's general director, said. "It'll be an important event in the existence of our exchange.

As the first options exchange in Europe – hence the ambitious name – the EOE had originally hoped to become Europe's sole centre for the trading of options. But other countries, from the UK to Germany and from France to Switzerland, eventually built their own national exchanges.

Most of the recent newcomers have introduced fully electronic trading systems, eschewing the trading floor.

However, EOE believes there is still room for open outcry in Amsterdam because of the "atypical" character of the exchange: the EOE is overwhelmingly a retail exchange, with 70 per cent of turnover generated by private investors rather than the institutional investor who sets the tone on institutions such as Germany's Deutsche Terminborse (DTB) or the London International Financial Futures Exchange (Liffe).

"The market for the larger retail order is at heart a 'talk market'," Mr Kuiper said.

The proposed new trading system, called Switch, will allow the EOE to use open outcry in some areas and electronic trading in others.

Details are still being worked out, but small retail orders below some sort of limit, such as 10 or 20 contracts, will be executed electronically through automatic matching.

This is expected to be far more efficient and cost-effective than the present system of writing order slips and matching supply and demand through open outcry.

However, larger retail orders and smaller wholesale orders for institutional investors will remain the preserve of the trading floor.

Big institutional orders – so far an underdeveloped market segment at the EOE – will probably also be handled electronically.

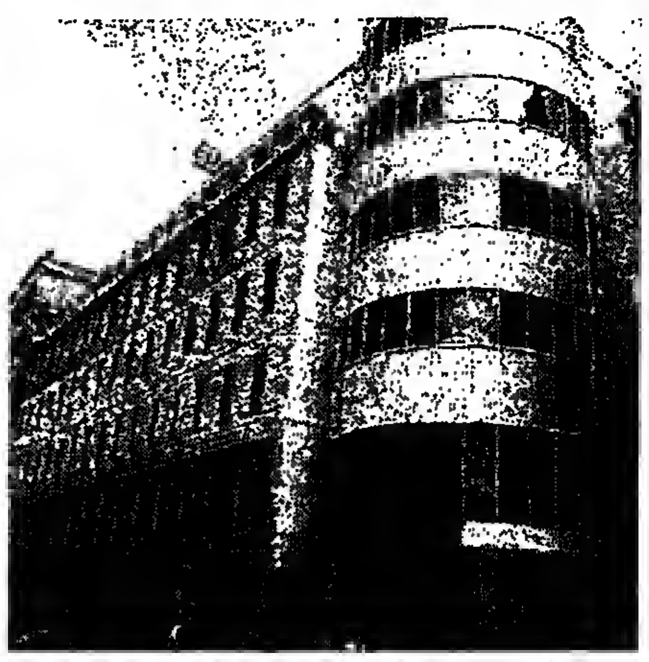
This computer-based trading is probably best suited to handle the growing trend to more tailor-made, less standardised contracts for bigger investors.

The Switch system will be flexible, enabling the EOE to determine for each class of options contracts which system is more suitable – open outcry on the floor or electronic trading by screen. For traders on the floor, the two types of trading will be brought together by hand-held computer terminals.

Besides building its ambitious new trading system over the next two years, the EOE will also be concentrating on attracting more institutional investors to the exchange.

Unlike the DTB, which was established with the full co-operation of the big German banks, the EOE's birth in the late 1970s was not wholeheartedly welcomed by the Dutch financial establishment. The exchange was considered too risky for the cautious Dutch, and an early demise was predicted.

The EOE's success in the face of widespread scepticism was due to the efforts of many small brokers and traders and of the publicity campaign waged by its first director, Tjerk Westerterp. His unusual step of sponsoring a Dutch soccer team and linking the EOE's name to classical music competitions brought a wealth of publicity and a crowd of retail investors to the exchange.



Options exchange: about to enter a new phase *Lydia van der Meer*

This retail bias is reflected not only in the 70:30 ratio between retail and institutional turnover but also to the relatively low share of index options in the EOE's total turnover.

"My targets are 50:50 for retail and institutional, and index options must grow, too," Mr Kuiper said.

Index options, typically a product for institutional investors, accounted for roughly 25 per cent of contract turnover in 1993, against nearly 65 per cent for stock options, a type of option that generally attracts private investors.

By 1996, the EOE hopes to have raised index options to nearly 40 per cent of the total.

One way the EOE has found to woo institutional investors is to offer them a single account at the clearing level, regardless of the number of different brokers used.

Another recent concession to bigger investors was a sharp cut in brokers' exchange fees on the EOE's futures subsidiary, the Financiele Termijnmarkt Amsterdam (FTA), on June 1. The cuts, designed to be passed on to investors, are meant to boost liquidity and volume.

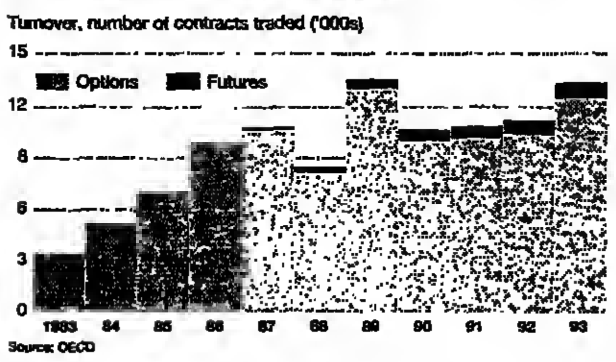
The EOE has also introduced "flex options" on Dutch state bonds, allowing the investor to tailor the expiry date and exercise price to his precise requirements. "Flex has been very important for us, and we'll certainly be offering more flex options," Mr Kuiper said.

And, finally, the EOE hopes to deepen the liquidity of its market by helping to create better-capitalised market-makers able to handle the bigger deals that institutional investors are expected to bring to the exchange.

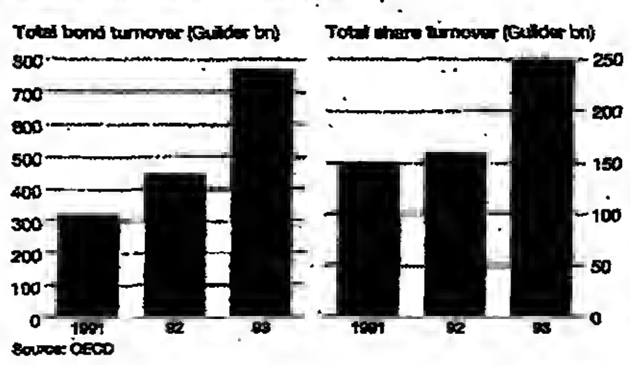
To this end, Mr Kuiper is trying to put together a "liquidity fund" through which institutional funds can be injected into smaller, promising market-makers. The total money involved will not be large, but the ultimate effect can be important for the exchange.

"Investing Fl 1m in a smaller market-maker can really put the firm on the road to bigger things," he said.

European Options Exchange



Amsterdam Stock Exchange



Baron Boudewijn van Ittersum: the changes will be far-reaching

Stock exchange reforms mark end of the 'hoekman'

Poised for a shake-up

The Amsterdam Stock Exchange is poised to embark on the most radical shake-up in its near 400-year history.

On September 30, the bourse will be split into retail and wholesale segments. For the first time, screen trading will be introduced into the professional sector of the market, in an attempt to compete with London's screen-based SEAQ International, which has captured large swathes of trading in Dutch equities

At a later stage, probably around January 1, foreign banks and stockbrokers will be allowed to trade on the Amsterdam exchange from their bases overseas. This, too, is a direct challenge to London's success in attracting Dutch business across the English Channel.

The reforms, the culmination of years of piecemeal changes, will mean the demise of the traditional "hoekman", or stock jobber, who acts as an intermediary in Dutch share trading.

The bourse's chairman, Baron Boudewijn van Ittersum, is in no doubt about the far-reaching nature of the impending changes. "There has never been as big a change to our trading system as the ones we are about to make. Until now, the principles of the 'hoekman' system have not, as far as I'm aware, undergone any fundamental changes since the 17th century," he said.

However, the writing has been on the wall for the hoekman since at least the mid-1980s, when larger participants, Dutch banks and Dutch pension funds, began to complain that the jobbers' small size and limited capitalisation was impeding trading and reducing liquidity.

In 1986, a first step was taken to end the hoekman firms' monopoly by allowing market players to do large group trades without the help of a hoekman.

Starting later this month, the bourse's two dozen hoekman firms will be whittled down to no more than five to 10 companies. In their new guise, they will act as market specialists, roughly along the lines of their counterparts in New York. The new-style hoekman will operate exclusively in the retail market, but will also serve as a point of contact between the retail and wholesale ends of the bourse.

Although Amsterdam is injecting screen trading into its overall trading system, it has consciously stopped short of abolishing the trading floor altogether, as London did in its Big Bang in the late 1980s. "The decision to retain the philosophy of the central market is a good one," Mr van Ittersum said, citing debate in London about the wisdom of the UK capital's alternative – adhere to a quote-driven, market-making system. London is starting to look at continental practice at a time when many continental bourses are making some of the concessions to professional investors and trades that lay at the heart of Big Bang.

But he stressed that Amsterdam's continued attachment to the floor will have to be borne out by future events and by continued advantages in terms of cost, of swift and transparent price formation, and of a "feeling for the market" fostered by direct, daily, physical contact. "The floor itself is not a dogma. It must be a question of efficiency," he said.

Not surprisingly, some hoekman companies opposed the changes that heralded their transformation into specialists, and they called for a longer transition period. The reforms, first scheduled to take place in the 1994 first half, will now go ahead on September 30, Mr van Ittersum said.

Foreign-based traders will probably not be admitted until three months later. This is partly because the Amsterdam bourse's members have not yet decided whether foreigners will be required to take out ordinary membership or a cheaper form of extraordinary membership.

"We also want to give our members three months of trading under the new system before opening it up to foreigner traders," Mr van Ittersum said.

A similar three-month gap was observed in the launch last year of the Amsterdam Treasury Market (ATM), the Dutch capital's screen-based trading system for Dutch government bonds which has attracted 15 foreign participants, mostly based in London. "I expect many of these 15 to be interested in the new equity market, too," Mr van Ittersum said. "In the end I think we'll have the 10 to 20 leading foreign houses as participants."

One prospective foreign participant is CS First Boston, which recently announced it was closing its trading and backroom operations in Amsterdam and transferring staff to London. The stock exchange is hoping to keep CS First Boston involved in Dutch bourse trading, despite its virtual departure from Amsterdam.

Amsterdam believes that foreign involvement could take off quickly after January. "If the three biggest players in London say 'Yes, you're better off in Amsterdam', then I think interest could develop very swiftly."

Mr van Ittersum said the best test of Amsterdam's success in competing with London will be the spreads between bid and offer prices on the bourse's Asset (Amsterdam Stock Exchange Trading System) screens. If these are as narrow or narrower than those on SEAQ's screen, Amsterdam will have reached its stated goal of being the international price leader for Dutch equities.

Another test, though perhaps more difficult to judge because of the lack of transparency in international turnover figures, will be the amount of equity turnover that flows back to Amsterdam from London.

At its lowest point in 1992, some 60 per cent of Dutch equity trading took place in Amsterdam, according to a milestone report by McKinsey, the consultants, which galvanised the Dutch financial community into action and helped clear the way for October's reforms.

"McKinsey said that at this rate we might fall below 50 per cent in three years' time. Your goal must be to serve as the price leader for your own equities, and to be leader you must have at least a majority of the volume," he said.

"I want us to try to get back in any case to a ratio of 75:25, preferably 80:20. That is our goal."

Stock exchange floor: small investors lukewarm — Lyda van der Meer

Sell-off fails to excite public

Man in the street is a reluctant shareholder

The small Dutch shareholder – the proverbial "man in the street" – was consciously targeted in June when the government sold off its first tranche of shares in Koninklijke PTT Nederland (KPN), the country's telecommunications and postal company.

For the first time in a Dutch flotation, private investors were offered a discount to the price paid by institutional investors. The inducement was considered essential because Dutch households, unlike their counterparts in the UK or even France, have never mustered much enthusiasm for buying shares.

The 5 per cent discount, limited to the first 75 shares, attracted considerable attention but did not, in the end, result in the participation of up to 500,000 small investors, as forecast at one point by the Dutch government.

Instead, some 188,500 private investors took part, of whom 31,000 were KPN employees.

Wim Dik, KPN's chairman, said recently, "Of course, the issue was three times oversubscribed, but expectations that the KPN share would immediately become a 'people's share' were not realised."

Wilco Jiskoot: result of KPN issue in line with expectations

The chairman of the stock exchange, Baron Boudewijn van Ittersum, also acknowledged that the number of new investors was relatively low, but added that the publicity may have the long-term effect of persuading people to consider share purchases another time. "Until recently, share ownership was seen as something for the 'happy few'. After the KPN issue, it can be seen as an activity for the entire population," he said.

Explanations for the lower-than-expected level of enthusiasm abound. They range from the mundane – the public's irritation with saturation advertising for the shares – to the essential conservatism of tha Dutch, their preference for collective savings through pension schemes and impediments created by the country's tax structure.

The answer may be more simple. Wilco Jiskoot, senior executive vice-president at ABN Amro, the Dutch bank which lead-managed the global share offering, said: "The foremost factor was the general climate on the bourse itself." In the weeks leading up to the issue, the Amsterdam Stock Exchange had softened and was well down on the peaks it had reached earlier in the year.

Mr Jiskoot also noted that, in contrast to some other European privatisations which have been done at almost "give-away" prices, the KPN issue was fairly priced, reflecting the government's goal of getting optimum value for its shares.

In contrast to disappointment ebout private shareholder participation expressed by the government and KPN, ABN Amro said the final result was roughly in line with its own expectations and its internal analysis of the Netherlands's pool of private shareholders.

Mr Jiskoot said a distinction must be drawn between real newcomers to the business of investing in shares and the roughly 200,000 Dutch private investors who have regular experience of actively selling and buying shares.

Although definitive, combined figures are not available from the various Dutch banks that belonged to the flotation syndicate, ABN Amro estimates that 20,000 to 30,000 new share investors were attracted to the KPN issue.

Mr Jiskoot agrees individual Dutch households are still less likely to buy shares than in some other countries but, on balance, private share ownership is nevertheless considerable in the Netherlands. "The overall situation is not all that different from other countries," he said. "The number of active investors is smaller, but their combined holdings in shares are not at all that small."

There are signs of greater public interest in share investments. Since 1990, investment funds, or mutual funds, have become a popular investment vehicle for Dutch households, and most of the leading Dutch banks now offer such funds, as do such traditional participants as the Rotterdam-based Robeco investment group.

Nevertheless, the relative reticence of small Dutch investors to buy shares is mirrored by the relatively limited ownership of shares among the Netherlands's big and powerful pension funds. Although the country's pension funds are gradually stepping up their equity purchases, shares account for less than 30 per cent of the average fund's invested assets, which tend to be heavily weighted towards bonds, particularly Dutch government bonds and, to a lesser extent, real estate. In other countries, particularly in the US or the UK, it is not uncommon for shares to make up half of total assets.

Again, part of the explanation lies in innate Dutch caution and conservatism. Another factor is that, unlike US or UK fund managers, Dutch pension funds are not normally confronted with quarterly measurements of their investment performances. This may avoid the tendency towards "short-termism" that is sometimes attributed to foreign institutional investors, but it may also mean that Dutch funds are less motivated to boost their results by investing more heavily in shares.

A frequently-cited explanation for Dutch attitudes to investing in shares is the country's tax system.

Han Kleiterp, the former chairman of merchant bank MeesPierson, the big civil servant pension fund, has emerged as a determined critic of the double-taxation of distributed profits in the Netherlands through, first, corporate tax and then tax on dividends.

Mr Kleiterp, who in May became chairman of Algemeen Burgelijk Pensioenfonds (ABP), the Dutch civil servants' pension fund which ranks as one of the world's largest, argues that the low level of distributed profits acts as a disincentive for private investors to hold shares.

In an analysis released earlier this year, he showed that the top 29 listed companies, excluding Royal Dutch/Shell, paid out only 29 per cent of net profits in cash dividends in 1990-92. This compares with more than 60 per cent in the US, more than 60 per cent in the UK and around 40 per cent in Germany.

The tax system makes it attractive for Dutch companies to offer shareholders an optional dividend in the form of new shares. But Mr Kleiterp noted that this effectively allowed companies to do a public share offering without the necessity of publishing a prospectus or undergoing the discipline of market reaction to a share expansion.

Criticism of the tax system is shared by the University of Amsterdam's Foundation for Economic Research, which in a series of reports has blamed the fiscal treatment of distributed profits for the fact that the Amsterdam bourse has traditionally faced lower price-earnings ratios than fellow exchanges such as Frankfurt, Zurich, London and Paris.

'Bancassurance' has intensified competition between financial institutions

Powerful trio dominate banking

Despite the continuing influx of foreign banks into the Netherlands, the country's financial system is still dominated by a powerful trio of domestic institutions.

The three big banking institutions – ABN Amro, ING Bank and Rabobank – control a combined 80 to 90 per cent of crucial market segments, such as mortgages and savings accounts. This makes it difficult for foreign banks to achieve anything other than niche banking status in retail banking, in spite of the Netherlands's reputation as one of the most open banking markets in Europe.

The concentration of banking power has been strengthened by the spate of mergers since 1989 that has whittled down the number of important domestic participants from five to three.

But the oligopolistic nature of banking in the Netherlands does not mean that Dutch banks have been freed from worrying about encroachments on their territory. On the contrary the three are increasingly treading on each other's turf. This, plus the advent of "bancassurance" – the blurring of strict divisions between banking and insurance – means that competition between the three remains spirited.

In the fight to win over customers to pension plans and other types of insurance products, the banks face competition from Dutch insurers such as Aegon and also from Fortis, the Dutch-Belgian financial group, which like ING and Rabobank, has consciously set out to cross-sell products through its insurance and banking distribution channels.

Competition is rife in traditional lending activities and in capital markets

All in all, the battle lines have changed dramatically since the 1970s and 1980s when the banks each had a preserve of their own. Rabobank, a co-operative, was the farmsrs' bank; the forerunners of ABN Amro were seen as catering to big companies; and ING's predecessor NMB Bank, was associated with the medium-sized business community.

To an extent the three big banks do retain specialities in the domestic market. Rabobank is the leader in home mortgages, ING (through its Postbank subsidiary) is a leader in money transfers, and ABN Amro is dominant in equity trading and corporate lending.

Nevertheless the old days of seemingly exclusive preserves are gone, creating heightened competition at home but also partly abroad.

Until the mid to late 1970s, the only bank with a large international presence was ABN Bank, which later merged with Amro to create ABN Amro. Since then, however, Rabobank and ING Bank have pursued international expansion, with ING in particular establishing a reputation in emerging markets banking, starting with its pioneering role in the trading of less developed country (LDC) debt in Latin America after the international debt crisis.

All three are now expanding overseas, with ABN Amro and ING targeting many of the same emerging markets in eastern Europe and south-east Asia. In the summer, for example, both applied to open offices in Mexico to take advantage of new business opportunities expected to be opened up by the North American Free Trade Agreement.

Rabobank, traditionally the bank that caters to the Netherlands's extensive and rich agricultural sector, is increasingly focusing its international aspirations on the area of trade and commodity finance, a field which ING Bank selected long ago as one of the five components of its international expansion.

At home, Rabobank's dominance of the agricultural and horticultural market is being challenged by ABN Amro, which recognises the export-driven potential of the country's farmers and greenhouse owners.

Competition is rife not only in traditional lending activities but also in areas such as capital markets, where all three are trying to find new sources of commission income.

Half-year results published by the three banks at the end of August show the importance they attach to this growing pool of income. In each case, growth of commission income outstrips interest income, due in part to the fact that ABN Amro, ING and Rabobank were all involved in the underwriting syndicate for the flotation of KPN, the Dutch telecommunications and postal group, in June.

ING group HQ: doing well in emerging markets banking — Lyda van der Meer

DUTCH FINANCE AND INVESTMENT 4

Profile: NETHERLANDS FOREIGN INVESTMENT AGENCY

Investor net spreads to China

The agency charged with the job of attracting foreign investors to the Netherlands may soon be setting its sights on Hong Kong and China.

As part of the continual fine-tuning of its international geographical presence, the Netherlands Foreign Investment Agency (NFIA) is considering hiring a local adviser in Hong Kong to start scouting out potential investors in the region.

The Hong Kong project, if launched, would be undertaken in conjunction with the Netherlands's two "mainports", the port of Rotterdam and Schiphol Airport.

Jochem Hanse, the NFIA's new director, said in an interview that the Hong Kong move would be undertaken cautiously as a long-term attempt to persuade local companies to use the Netherlands as a gateway into Europe.

"In the first instance, we're thinking of distribution facilities, because there's no chance at all for the moment that production facilities from, say, mainland China would be transferred to the Netherlands," he said.

Chinese entrepreneurs "will need distribution offices, sites and centres in Europe in the coming years, and this is a role that could be filled by Rotterdam, Schiphol and their hinterlands," he said.

The Netherlands, with its pivotal role in European transport and distribution, relies heavily on its geographical location and its sophisticated transport infrastructure to attract foreign companies.

Jochem Hanse: "we try to sell our country on the basis of its assets" Lydia van der Meer

Other key selling points for foreign investors are the education levels and foreign-language proficiency of the country's workforce and its proximity to important clients and suppliers.

Some 80 per cent of foreign companies in the Netherlands are located in the corridor that connects Schiphol and Rotterdam, the world's largest port, to principal European markets such as Germany's Ruhr industrial area.

Unlike some countries, particularly in southern Europe, the Netherlands does not make aggressive use of incentives, tax breaks and subsidies in the battle to win over investors. Government grants are limited to the north and south of the country and to an eastern district where the decline of the textile industry has caused high unemployment.

"The subsidy battle in Europe can be fierce," Mr Hanse said. "We try to sell our country on the basis of its assets."

The NFIA's traditional focus on three "sales" elements – infrastructure, workforce and proximity to market – will be preserved by Mr Hanse, formerly the NFIA's deputy director, who was promoted to the agency's top job in July.

Equally, Mr Hanse emphasises that the potential move into Hong Kong does not herald any weakening of NFIA's promotional campaigns in its traditional markets for inward foreign investment. Apart from some annual fluctuations, the US generally accounts for half of all investment in "greenfield" sites, Japan for about one quarter, and Europe for the rest. The UK tends to account for half of European inward investment into the Netherlands.

In terms of US and Japanese investment in particular, the Netherlands has scored well in recent years. The country, which accounts for just 7 per cent of Europe's combined gross domestic product, is estimated to have captured about 20 per cent of all US and Japanese inward investment.

NFIA, with a budget of Fl 20m and a worldwide staff of 70, has four offices in North America, an office in London, and an office each in Japan, Korea and Taiwan. It also has a network of local advisers in countries such as Switzerland, Sweden and Italy.

The agency, which is part of the ministry of economic affairs, manages to attract a number of new investors every year who, on average, expect to pump a combined Fl 2bn ($1.2bn) of investment into the country and to create some 2,500 jobs. There are more than 5,000 subsidiaries of foreign companies in the Netherlands, accounting for about one tenth of the country's annual investment in fixed assets. Recent successes by the NFIA include the decision by Eastman Chemical Co of the US to base its European headquarters in The Hague and to make Rotterdam the site of its future European production facility.

The Netherlands has also managed to win over a number of foreign automotive suppliers, including the US brake-system manufacturer Kelsey-Hayes which announced last year that it would build a factory in the southern Dutch town of Heerlen, near the Belgian and German borders.

The biggest coup of all was achieved in the early 1980s, when Fuji Photo Film started up its rolling investments in what ultimately proved to be three new factories in Tilburg. The Tilburg site is thought to be the largest foreign investment by a Japanese company outside the automotive industry.

These successes do not mean NFIA's job is always an easy one. Competition between European countries is stiff, and it shows no sign of abating.

Mr Hanse says NFIA's aim is not to give candidate investors "the usual blah-blah routine" but to help them in their decision-making process.

"An American or Japanese investor will come to this country with all sorts of questions like does he need a work permit, where are the industrial sites and what kind of tax deal can he put together. And he won't just be looking here, he'll also be visiting Britain, Belgium and Germany, among other places."

The Netherlands can offer high labour productivity, but wages are not as low as in Ireland and Britain, though they are roughly on a par with Belgium and lower than those in Germany, Mr Hanse says. This tends to mean that labour-intensive projects with a low-level of initial investment will tend to look elsewhere. But the Netherlands does do well in heavier investment, higher-skilled areas like chemicals and bio-technology.

More recently, it has attracted a number of US and other computer companies that use the Netherlands as a distribution, light-assembly and quick-repair base.

The sophisticated distribution centres make it possible for companies to offer one-day computer repair in large parts of Europe. They also underline why the Netherlands is emphasising "value-added logistics" in the Europe-wide competition for outside investors.

Apart from KPN, there are few big privatisations left in the Netherlands

$4bn sell-off was historic peak

The Netherlands' privatisation programme reached a historic peak in early June when the government sold a 30 per cent stake in Koninklijke PTT Nederland (KPN), the country's telecommunications and postal company, to investors for Fl 6.9bn ($3.9bn).

A second tranche of KPN shares, representing a holding of at least 20 per cent but probably significantly more, is due to take place before the end of 1997. At the present share price for KPN, this would raise a minimum of Fl 4.6bn for the government, and mark another important milestone for privatisation in the Netherlands.

However, apart from the rich pickings offered by KPN, there are few big privatisations left in the Netherlands, a country which never went in for the large-scale nationalisations that have left European counterparts such as France and Italy with holdings ranging from banks and insurers to computer companies.

So far, the new government that was sworn in late last month has given no sign that it intends to step up the pace of privatisations.

Unlike some other countries, privatisation is normally a politically neutral concept in the Netherlands. The Dutch state has not made long-term, concerted efforts to create a "people's capitalism" along the lines of that which Margaret Thatcher pursued when she was prime minister of the UK. At the same time, privatisation is not a party-political issue.

This was underlined by the KPN transaction, which took place a month after an inconclusive general election had left the country in a political vacuum with a caretaker government. However, because all four main political parties had given full support to the flotation ahead of the election, the sell-off went ahead as planned and as scheduled.

The lack of political opposition to privatisation in the Netherlands means that most of the rest of the state's corporate holdings could be sold off without too much difficulty.

In Dutch, "privatisation" has a double meaning that can be confusing to foreigners. As in the Anglo-Saxon sense of the word, it can mean the sale of government shares to outside investors, generally by means of a bourse flotation. But it can also mean the process by which a government entity or organisation is turned into a public limited company and allowed to act like a private, commercial enterprise. All the shares remain government-owned, but the organisation is considered to be part of the private sector.

This was done at KPN in 1989, as a prelude to this year's bourse flotation. But the same process has taken place at smaller organisations, such as the State Mint, which mints government coins and medals. Its "privatisation" took place on January 1. "For the time being, all shares will remain in government hands," the finance ministry said. "But it cannot be ruled out that the mint may be sold if there is an attractive offer from a serious company."

The Dutch state's holdings are a mixture of minority stakes in publicly-quoted companies, such as steel group Hoogovens, chemicals group DSM and the national carrier KLM Royal Dutch Airlines, as well as 100 per cent ownership of organisations such as Dutch Rail and the Government Printing Office.

Many of the stakes, such as the government's minority holding in Fokker, the aircraft manufacturer, are the results of rescues or capital injections. The Dutch state tends to see these holdings as temporary and when circumstances permit will reduce its stakes. In the case of KLM, the government's stake has fallen from as high as 78 per cent in the mid-1970s to around 38.2 per cent today.

Shares owned in companies that already have a share listing are easier for the Dutch state to sell. One of most obvious candidates in this category is DSM, in which the government still has a 31 per cent stake following the public sale of the rest of its shares in two tranches of around 34 per cent each in January and September 1989.

The sale of the state's remaining 20 per cent stake in Fokker has been agreed in principle

Unlike the situation surrounding KLM, where there is perhaps a strategic value in owning shares because of the political nature of international aviation agreements, there is no reason for the Dutch state to hold on to its DSM shares.

However, no date has been given for the sell-off. "We have a written commitment from the state that it will first consult with us," said Ad Timmermans, the company's finance director, last month.

The company has said it would prefer the next, and presumably last, tranche of the state's shares not to be sold through a public offering, as in the previous two tranches, to avoid the need for time-consuming road shows to potential investors.

The DSM sale is likely, but not guaranteed, to take place later in the 1990s. One definite sale, which has already been agreed in principle, is the divestment of the state's remaining 20 per cent stake in Fokker, the Dutch aircraft maker. Deutsche Aerospace, part of Germany's Daimler-Benz group, bought a 51 per cent stake in Fokker in 1993 through the purchase of new shares and shares owned by the Dutch government. The contract stipulated that the government would sell its remaining stake to DASA in 1996.

Apart from DSM and Fokker, there are few immediate privatisation candidates, but there are other possibilities if the government needs to raise money to reduce the large and growing public debt. The remaining choices, however, have the potential to create controversy.

For example, the Dutch railway system, sometimes mentioned as a long-term privatisation candidate, is still loss-making. Any sale of the company which would herald a rise in passenger fares could be expected to be controversial.

Equally, any move to sell off part of the state's majority holding in Amsterdam's Schiphol Airport would put the government in a delicate position because of the continuing debate between proponents and opponents over the airport's ambitious expansion plans.